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1911a

No. 1

HEARINGS

BEFORE THE

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487 1/2

U.S. COMMITTEE ON EXPENDITURES IN THE
NAVY DEPARTMENT.]

OF THE

HOUSE OF REPRESENTATIVES

ON

HOUSE RESOLUTION NO. 109

TO INVESTIGATE THE EXPENDITURES IN
THE NAVY DEPARTMENT

JUNE 12, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

EXPENDITURES IN THE NAVY DEPARTMENT.

[Committee room, room 119, House Office Building. Telephone 413. Meets on call.]

- | | |
|---------------------------------------|--------------------|
| 1. Rufus Hardy, <i>Chairman</i> | Of Texas. |
| 2. Frank E. Doremus..... | Of Michigan. |
| 3. John M. Faison..... | Of North Carolina. |
| 4. Charles F. Booher..... | Of Missouri. |
| 5. William B. McKinley..... | Of Illinois. |
| 6. Henry McMorran..... | Of Michigan. |
| 7. Clarence B. Miller..... | Of Minnesota. |

Ben L. Prince, *Clerk*.

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EXPENDITURES IN THE NAVY DEPARTMENT.

COMMITTEE ON EXPENDITURES IN THE
NAVY DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Monday, June 12, 1911.

The committee met at 10.30 o'clock a. m., Hon. Rufus Hardy (chairman) presiding.

The witness J. W. Lucas was duly sworn by the chairman.

**STATEMENT OF MR. J. W. LUCAS, 922 PENNSYLVANIA
AVENUE SE., WASHINGTON, D. C.**

The CHAIRMAN. Gentlemen of the committee, this is Mr. Lucas, who has been in the employ of the Navy Department. Mr. Lucas, where have you been employed in the Navy Department and for how long?

Mr. LUCAS. I was employed in the general storekeeper's office for about 13 years.

The CHAIRMAN. In what position?

Mr. LUCAS. I was employed in the general storekeeper's office at the navy yard here at Washington, D. C., and I have been employed down there about 13 years.

Mr. MCKINLEY. Are you employed there now?

Mr. LUCAS. No, sir. The present storekeeper came there on the 1st of July of last year, and he commenced his erratic doings, and found fault with me and several others there. The first thing he did was to change me from the work I had been on for nine years. That is a statement of what actually happened to me. I will tell other things afterwards. Of course, after he did all that he could against me, he went to work in January and changed me from my then employment and sent me down to another part of the yard to work—that is, to do work that was entirely new to me. Then he found fault with that, and said I was not competent. He accused me of all kinds of negligence, and told me that I was not competent and used profanity and that sort of stuff.

The CHAIRMAN. What was your employment?

Mr. LUCAS. I was employed as bookkeeper in charge of the balance-sheet work. For nine years I was in charge of that work. Then, on January 15, I was sent down on this other job, and Mr. Strohecker was put in my position.

The CHAIRMAN. Do you mean that he was made bookkeeper?

Mr. LUCAS. I was put down as an official weigher of the navy yard, away down in an outlying place, where I weighed nothing but coal; I weighed coal cars.

Mr. MILLER. Was there any bookkeeping connected with that work?

Mr. LUCAS. No, sir.

The CHAIRMAN. What was the pay of your position as bookkeeper?

Mr. LUCAS. I was getting \$1,200 and he recommended my reduction from \$3.84 to \$2.48. I refused to take that reduction, and I resigned on the 1st of May.

The CHAIRMAN. Two dollars and forty-eight cents was your salary as weigher?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. What do you mean by \$2.48?

Mr. LUCAS. I mean \$2.48 per diem.

Mr. MILLER. You refer to the storekeeper—

Mr. LUCAS (interposing). I mean the general storekeeper of the navy yard. The present storekeeper is Paymaster J. H. Merriam, of the Navy. He found all kinds of fault with me, and said that my work was unsatisfactory. Of course, when a man has been in the position of bookkeeper for nine years and has given satisfaction, it looks as though a new man ought not to find fault with him within two months and recommend his reduction. Then the present storekeeper proceeded to change the system of work to a system that suited his fancy, and he put entirely new men on the work.

The CHAIRMAN. I want to ask you, so the committee will hear it and bear it in mind, the name of the man who succeeded you. You stated his name was Strohecker?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. Is he any more satisfactory? Does he seem able to meet the demands of the position?

Mr. LUCAS. No, sir.

Mr. McKINLEY. Are you speaking of the general storekeeper or the bookkeeper?

Mr. LUCAS. I am speaking of the bookkeeper.

The CHAIRMAN. Mr. Merriam is the storekeeper?

Mr. LUCAS. Yes, sir.

Mr. MILLER. How many employees are there in that department?

Mr. LUCAS. Forty-four or forty-five, or something like that.

Mr. McKINLEY. How many bookkeepers are employed there?

Mr. LUCAS. There are about six or eight doing bookkeeping work. There are about three or four men appointed as bookkeepers and rated as bookkeepers.

Mr. MILLER. What was that man Strohecker doing before he was put on this work?

Mr. LUCAS. He had been in charge of the officers' fuel account. They pay these officers so much allowance as a coal allowance.

Mr. McKINLEY. It was really bookkeeping work?

Mr. LUCAS. Yes, sir.

Mr. FAISON. Why did they change your position?

Mr. LUCAS. Well, after I had been for nine years in the service, one man comes in and in 60 days says that I am incompetent. The whole system down there was changed; the present general storekeeper went in and changed the system, no matter whether it suited the work of the office or not. He changed, but I do not know about his authority.

Mr. McKINLEY. What was he before he was appointed storekeeper?

Mr. LUCAS. He was the assistant for a few months, and before that he was the paymaster on some ship. He knows very little about the

work. On one occasion he came down to me and said: "Mr. Lucas, I would like to know something about these accounts." I said: "What do you want to know?" He said: "What do you mean by A, B, C, and D accounts?" I explained it to him, and he said: "I am glad you told me that, because I'll be damned if I know anything about it."

The CHAIRMAN. Well, do you know of anybody else who has been removed from his position or shoved out of the service? What about Mr. Simms?

Mr. LUCAS. They dismissed Mr. Simms. He was keeping books in yard No. 10, and they fixed up some charges on him, but he had influence enough to stave it off, and all they did was to reprimand him and suspend him for 10 days without pay.

The CHAIRMAN. Do you know on what ground this was done?

Mr. LUCAS. I can not tell you; they claim that he was intoxicated, but I understand he proved that he was not. I do not know what the ground was.

The CHAIRMAN. I asked this with a view of getting at things that are coming to me.

Mr. LUCAS. I know a lot of material to tell you; and if you will give me pointers, I will do so.

The CHAIRMAN. Go ahead in your own way.

Mr. LUCAS. The general storekeeper has changed the system of books down there by making all the men who issue material on stub requisition to make daily receipts and expenditures, thereby doubling the work of the office; by having a store laborer and a carpenter to keep books; by piecing the stub requisitions, which is contrary to the civil-service regulations, as none but men who are appointed from the civil service are eligible to do bookkeeping work.

The CHAIRMAN. Please explain that.

Mr. LUCAS. You understand that they issue material there for all of these departments.

Mr. MILLER. By material, do you mean the material used in the navy yard—such as iron, lumber, brass, and all that?

Mr. LUCAS. Yes, sir.

Mr. MILLER. And accounts are kept of that material?

Mr. LUCAS. Yes, sir; it is issued on stub requisition; the storekeeper issues it out on the order of any head of a shop which uses it, and they give us a stub.

Mr. MILLER. Take a specific case in any one of the departments of the yard. Suppose they want some brass, take a case like that, who draws the material?

Mr. LUCAS. The man who needs the material; the foreman of the shop or the master mechanic of the shop; he draws the stub requisition, as we call it, and the material is issued out, and then the price of the material is put right there in that place on the stub, and he holds one end of it and the other end is turned into the main office, and they make up a daily balance sheet. That is the system of the storekeeper.

Mr. McKINLEY. What was the system before?

Mr. LUCAS. They did not have any daily balance sheet at all.

Mr. McKINLEY. Was it just happy-go-lucky?

Mr. LUCAS. No, sir; it was sent in every day, but the material was issued on these stubs and sent into the store, and then the man made

a record of it, and compared accounts at the end of the month. But this system of daily balances and receipts is something that has been recently started.

Mr. McKINLEY. Do you think it a wrong system to have a daily report?

Mr. LUCAS. It doubles the work down there.

Mr. McKINLEY. If you kept no books at all you would not have any work to do?

Mr. LUCAS. No, sir; we would not have any work then; but I am telling you how this was never done before, and it is not in the regulations to do that kind of business. They price this stuff. Where the stub is issued for lumber, the carpenter, the man to whom the lumber is issued, has to price the card.

Mr. MILLER. Does he put on the card the value and the quantity of the material he needs?

Mr. LUCAS. Yes, sir; and figures on them the unit price.

Mr. MILLER. And one of your complaints is that the foreman of the shop, who makes the requisition, does some bookkeeping by filling out that requisition card, and then the one who handles the material which is supplied does bookkeeping by making a notation of the value and quantity of the material?

Mr. LUCAS. I am not making any kick about the man who makes out the stub, but putting this price on it—that is bookkeeping work.

Mr. McKINLEY. What does the bookkeeper know about the price?

Mr. LUCAS. They keep the books on all this material and know the prices of it.

The CHAIRMAN. You think that the bookkeeper who receives this material and knows the price of it is better able to price it than the man who simply physically handles it on the work?

Mr. LUCAS. Yes, sir.

Mr. DOREMUS. Please give the committee some general statement in regard to the purchase of supplies.

Mr. LUCAS. They are purchased by the Bureau of Supplies and Accounts and the Navy Pay Office. They send in a requisition from the yard; it goes from the head of the department that asks for it, and comes to the general storekeeper. Then it goes from there to the Bureau of Supplies and Accounts, and if it is material that they buy on contract, the Bureau of Supplies and Accounts offers a contract and asks for bids on it, and if it is not to be bought on contract, they buy through the Navy Pay Office.

Mr. FAISON. Suppose you want to purchase 10,000 feet of lumber; who would buy it?

Mr. LUCAS. The Bureau of Supplies and Accounts, if it is a large amount. They would ask for bids on it and, as I understand it, the lowest bidder would get the contract.

Mr. FAISON. And when you get that lumber, suppose the price of it is \$20 per 1,000 feet. We will suppose that is the price given the general storekeeper; \$20 per 1,000 feet. Now, suppose, for instance, a carpenter wants 10,000 feet of that lumber. Now, as I understand it, under the old system he would simply make out this card and order the lumber, and the price would be fixed or filled in by the bookkeepers, in the first instance, who had been doing that work, whereas now, since the rule has been changed, the carpenter adds a memorandum giving the price of the lumber?

Mr. LUCAS. Yes, sir.

Mr. DOREMUS. Where would that make any delay, if he prices it at \$15 per 1,000 feet and you price it at \$15 per 1,000 feet? What difference does it make?

Mr. LUCAS. He formerly simply checked the material, but he did not put any price on it; it was issued to him, but he did not put any price on it.

Mr. DOREMUS. When that card came back to you you put the price on it, \$15 or \$20 per 1,000 feet?

Mr. LUCAS. Yes, sir.

Mr. DOREMUS. And he put the same price on it that you do?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. Let me ask you a question, in order that I may get at it by degrees. Do you know anything of the existence of a contract with one J. B. Kendall for the purchase of a lot of material from him, or as to what price he turned it in at, or at what price it was paid for, and what price was marked on it? Or do you know of any trouble that grew out of that contract between any of the book-keepers and those in charge of the office at that time?

Mr. LUCAS. I do not know particularly about that.

The CHAIRMAN. State whatever you know about it.

Mr. LUCAS. So far as I can recollect about the matter, the material was bought, and there was some shake-up about the price of it—that is, about the exorbitant price—and one of the clerks in the office, Mr. Sims, complained to the general storekeeper about it. They went to work and looked up a lot of contracts, and found that this J. B. Kendall's firm was getting about 10 to 15 cents per pound more than they ought to have been paid for it.

The CHAIRMAN. That was a contract for soft steel?

Mr. LUCAS. Yes, sir. I do not know what was done about it, except that they were told to keep their mouths shut. They were told to keep quiet about it, and how they arranged it we have never been able to find out, except that they fixed the matter up with the Bureau of Supplies and Accounts, and the clerk who had the matter in charge at the yard was ordered to strike the difference from his books. That was under the reign of Inspector Carpenter. Mr. Sims was the gentleman who had it in charge.

Mr. McKINLEY. Who was the Secretary of the Navy at that time?

Mr. LUCAS. Mr. Long, I think.

The CHAIRMAN. The statement I want to make is this: The statement has been made that some party in the office down there discovered and pointed out many frauds which were being perpetrated against the Government in the pay office. These frauds were investigated with as little publicity as possible. The statements made concerning these frauds were verified, but, of course, the bills that had been paid could not be gotten back, but many of them were held up. Some of them were canceled, and one contract alone which had been partly filled was canceled, and that contract, calling for more than \$60,000, was compromised for less than one-sixth of that amount. It is said that the party who made these discoveries by this one stroke saved the Government more than he had ever received or will ever receive from it. It appears that this employee was instructed to say nothing about it, and was further instructed that any further investigations along that line would probably result

in his separation from the service. He was ordered to examine all requisitions and furnished with a stamp certifying over his name on every requisition that he had examined it and found the prices correct. As I understand, from what I have learned about this particular matter, there was quite a large contract with this man Kendall, which was negotiated through Mr. Carpenter and passed on by Mr. Fraley?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. And when this gentleman came to investigate it he found that these articles were furnished away above the current price. Can you tell us anything about that?

Mr. LUCAS. Mr. Sims can tell you more about that than I can. He was directly concerned in that matter.

The CHAIRMAN. He was the bookkeeper at that time?

Mr. LUCAS. Yes, sir; he had charge of it at that time.

The CHAIRMAN. What was the general outcome of that investigation?

Mr. LUCAS. The general round-up was that Mr. Sims was ordered to keep quiet, and they compromised the matter with Mr. Kendall by his taking a reduction in the figures on that contract, and they fixed it up in the pay office and the Bureau of Supplies and Accounts.

Mr. DOREMUS. Did the Government lose anything on that contract?

Mr. LUCAS. Yes, sir.

Mr. DOREMUS. How much did it lose?

Mr. LUCAS. I can not tell you.

The CHAIRMAN. What are Mr. Sims's initials?

Mr. LUCAS. J. B. Sims.

The CHAIRMAN. Is this man Carpenter, who negotiated this contract, still in the employ of the Government?

Mr. LUCAS. Yes, sir; he is on duty at present in the Boston Navy Yard.

The CHAIRMAN. Where is Mr. Fraley?

Mr. LUCAS. He is retired.

The CHAIRMAN. Do you know how long ago that occurrence took place?

Mr. LUCAS. I can not tell you. It has been seven years, I guess.

The CHAIRMAN. Who was the man in authority at that time?

Mr. LUCAS. The general storekeeper was Mr. Carpenter.

The CHAIRMAN. Do you know what position he holds now?

Mr. LUCAS. He is still in the Pay Corps as a pay inspector. I think he is in charge of the navy pay office in Boston.

The CHAIRMAN. As I understand it, that was a large contract, involving some \$10,000, and that when Mr. Sims called the storekeeper's attention to the fact that the prices were away beyond what they ought to have been he was advised to keep quiet, and that from that time he dates the beginning of his downfall?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. And in the meantime the man responsible for this transaction continues in the Government service?

Mr. MCKINLEY. Is this man, Mr. Sims, the one who was charged with being drunk?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. But, as I understand from Mr. Lucas, the charges are not sustained?

Mr. LUCAS. Now, Judge, I was talking to other people about it down there, and I will give you the name of a man named Browning. He says he will come before you at any time.

The CHAIRMAN. The fact is, there is a great deal of confusion down there and a lot of people do not know where they are at. The office seems to be in confusion, and how are we to get at it?

Mr. LUCAS. This man—it is a bold assertion to make—but the man appears to me to be very nervous and under the influence of something. I do not know what is the matter with him.

Mr. MCKINLEY. To whom do you refer?

Mr. LUCAS. I refer to the present general storekeeper, J. H. Merriam, who is the son of the former Director of the Census.

Mr. MCKINLEY. He is an officer in the Navy, is he not?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. Another matter occurs to me, and I want to ask you about it—

Mr. LUCAS (interposing). I was talking to Mr. Browning Saturday evening, and he said that he will appear before the committee and give them such information as he can. He can tell about the special deposits, the automobile, and all of the deposits of these officers in the yard.

The CHAIRMAN. I want to ask you about this list of employees here. There is one by the name of N. H. Spicknall, who is employed at \$3.76 per day. What is his employment?

Mr. LUCAS. He is employed as a house joiner. He is a carpenter.

The CHAIRMAN. How long has he been there?

Mr. LUCAS. I do not know; I would not like to say; but I guess he has been there seven or eight years.

The CHAIRMAN. I want to ask, do you know who he has worked for, whether for the Government or for the storekeeper?

Mr. LUCAS. Mr. Spicknall has had charge of the lumber shed, and issues material.

The CHAIRMAN. Do you know anything about any material issued that went to the storekeeper that was never charged on the books in the navy yard, and, if so, what it was used for?

Mr. LUCAS. Lumber was issued there for his boat, and I know, when I was in office, I asked him what became of the stub requisition, and the paymaster said it was in his desk, and to hold it until he said let it go. That was used for building a motor boat for the storekeeper.

The CHAIRMAN. Was the boat for the Government?

Mr. LUCAS. No, sir; for Mr. Merriam himself.

The CHAIRMAN. Did he have it as his private property?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. And that lumber was gotten from the Government for the purpose of building a motor boat for Mr. Merriam?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. And the stub was not turned in?

Mr. LUCAS. No, sir.

The CHAIRMAN. How much did it amount to?

Mr. LUCAS. I can not tell.

Mr. MCKINLEY. Did it amount to as much as \$5?

Mr. LUCAS. It amounted to \$50 or \$60, I should judge.

Mr. MILLER. Where was this boat constructed?

Mr. LUCAS. In a cellar of the building; cellar No. 2, in the navy yard.

The CHAIRMAN. Who was employed in the construction of that boat?

Mr. LUCAS. A carpenter was doing the carpenter work on it.

The CHAIRMAN. Was that charged to the storekeeper?

Mr. LUCAS. Mr. Browning can tell you more about that than I can. He said Mr. Merriam had deposited \$20 to pay for the work, but that the deposit was used up. I think he said there was \$60 or \$70 of labor on it, and that is all he paid on it—that is, the \$20.

The CHAIRMAN. And it was done for the benefit of the storekeeper?

Mr. LUCAS. Yes, sir; it was for the benefit of Mr. Merriam.

The CHAIRMAN. Do you know Thomas E. Trazzafé?

Mr. LUCAS. He was the carpenter; he worked on the boat all the time, for five or six weeks, I suppose.

The CHAIRMAN. For which a deposit of \$20 was made?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. Was there any charge on your books about that work?

Mr. LUCAS. Not while I was there.

The CHAIRMAN. When were you taken off?

Mr. LUCAS. I was removed from there in January, and resigned in May.

The CHAIRMAN. Do you know George Lawrie, who is employed at \$2 per day?

Mr. LUCAS. He is a laborer detailed to do messenger work for the general storekeeper. I was talking to him Saturday evening, and asked him what he was doing. He said he was blacking the paymaster's shoes and attending to his automobile and also looking out for his motor boat. I asked him what else he did, and asked him if he did any work for the office. He said: "I suppose I am assistant messenger to the messenger, and take messages to the commandant's office, about two a day, and about a half an hour at each time." That is all he does for the Government.

The CHAIRMAN. And the balance of his time is put in where?

Mr. LUCAS. With Mr. Merriam.

The CHAIRMAN. State whether any other laborers work for Mr. Merriam that way or not.

Mr. LUCAS. I do not know about any others directly, but the messenger does a good deal of work for him.

The CHAIRMAN. Who is the messenger?

Mr. LUCAS. His name is Dangerfield.

The CHAIRMAN. It occurs to me that, from this list of employees, you might find out what they are all doing, whether working for the Government or somebody else.

Mr. LUCAS. That is a pretty big proposition; the whole thing is pretty deep.

The CHAIRMAN. I got the idea somehow that two or three of these employees were doing more work for the paymaster than for the Government. Do you know who they are? We have Trazzafé here working on the motor boat, and Spicknall was the man furnishing the lumber, and Lawrie is a nominal messenger. Is there anybody else who does work for the general storekeeper?

Mr. LUCAS. If there is any man he wants, he takes him up there to do any work that he wants done. That is all I have to say.

The CHAIRMAN. Who has charge of the rolls and can tell us about the laborers?

Mr. LUCAS. Mr. Sarton has the rolls.

Mr. MILLER. Does Mr. Merriam have an automobile belonging to the Government?

Mr. LUCAS. If it does not belong to him—that is, a little run-about.

Mr. MILLER. Has any work been done on that?

Mr. LUCAS. I have seen the electrician work on it occasionally.

Mr. MILLER. Do you know the electrician?

Mr. LUCAS. Mr. Morningstar has charge of it, because Mr. Morningstar and Mr. Merriam are very friendly. He is the head electrician in the yard.

The CHAIRMAN. What about Mr. Morningstar's material?

Mr. LUCAS. He bought a lot of material—he was in the yards and docks department. He has control of all buildings in the yard and they bought a lot of electrical material and put it in a certain building there—I do not know which building it was—but they took a lot of material, and at the end of the fiscal year, or a couple of months or so, a whole lot of the material was gone and there was no money to pay for it. It amounted to about \$8,000, I understand. So they wanted Mr. Morningstar to cover the material with stub requisitions, but when the time came to cover, the yards and docks did not have enough money in their bureau to pay for it. So there was a big mix-up, and he straightened it out by having Mr. Morningstar to turn back some of the material. He had charge of that material that was brought into the yard and then he issues it to the department. There was a deficiency of some \$8,000.

The CHAIRMAN. In Mr. Morningstar's accounts?

Mr. LUCAS. Yes, sir; they fixed it up some way or other; the general storekeeper and Mr. Morningstar arranged it. You know how they do all these things.

Mr. DOREMUS. How do they keep a check on the amount of material on hand?

Mr. LUCAS. The material on hand?

Mr. DOREMUS. Do you have a property clerk to keep track of the material down there?

Mr. LUCAS. No, sir; each department draws its material out as allowed by the Navy Department or the head of the bureau, and an amount of money is allowed each month for the running expenses of that month, and they can not overdraw that amount of money.

Mr. DOREMUS. Now, suppose they have 100,000 feet of lumber on hand; does anybody keep a check on that lumber?

Mr. LUCAS. Mr. Carpenter had a tab on all lumber.

Mr. DOREMUS. And that system you have mentioned applies to all material coming into that yard?

The CHAIRMAN. Mr. Carpenter had charge of all that, and the whole thing goes through the bookkeepers?

Mr. LUCAS. Yes, sir; he was in charge of the material that they issue.

Mr. DOREMUS. So they do have a system by which they can ascertain at any time how much material they have on hand?

The CHAIRMAN. Along that line I want to ask you this question: If your books are kept right, and an account is kept of all material taken out, then your books ought to show what remains on hand. From what I can learn, your storekeeper carries about \$10,000,000 of material?

Mr. LUCAS. Yes, sir; every quarter.

The CHAIRMAN. And the only way he could tell what amount of material he has on hand would be by means of an actual inventory?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. How long since an actual inventory was taken of this material?

Mr. LUCAS. Four years ago, and that was never completed.

The CHAIRMAN. Somebody told me that an inventory had not been taken in 15 years.

Mr. LUCAS. Mr. Sims said they had not had a complete inventory in about 15 years.

The CHAIRMAN. There has been none taken since you have been in there?

Mr. LUCAS. No, sir.

The CHAIRMAN. How long have you been there?

Mr. LUCAS. Thirteen years.

The CHAIRMAN. Who ought to do that?

Mr. LUCAS. The general storekeeper.

The CHAIRMAN. And during the 13 years that you have been there there has been no complete inventory made of the stock on hand?

Mr. LUCAS. No, sir; they attempted it about four years ago. They took an inventory of the small material, but when they got to the heavy material it made the officer sick and he got tired of the job.

Mr. MCKINLEY. Is the general storekeeper an officer of the Navy?

Mr. LUCAS. Yes, sir.

Mr. MCKINLEY. How long do they generally hold this position?

Mr. LUCAS. Three years is the term that they generally stay there.

Mr. MILLER. Is not the reason they have not had an inventory of the physical things due to the fact that it is practically impossible to make such an inventory and estimate the values?

Mr. LUCAS. They could make it if they wished. They said that several civilians could make the inventory in short order.

Mr. MILLER. Suppose they had 100,000 feet of lumber cut up and manufactured and put into a couple of launches. Could they tell the value of the lumber in those launches?

Mr. LUCAS. They know exactly how they drew it out.

The CHAIRMAN. You would want to know the value of it when it was checked out?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. Has that department been managed without any system or order, so that with \$10,000,000 stock on hand there has been no inventory in 15 years?

Mr. LUCAS. That is what I understand.

The CHAIRMAN. How can you tell whether it has been squandered or not?

Mr. LUCAS. It has not been inventoried.

Mr. DOREMUS. The books ought to show the amount of material on hand.

Mr. LUCAS. There is kept a stock card, and each card should show the amount of material on hand and each item of it, as well as the unit price of it. That could be worked out to the amount of money involved, and then they ought to be able to tell exactly how much material is in the yard.

Mr. DOREMUS. Have you any fault to find with that system?

Mr. LUCAS. It is not in my province to say that.

The CHAIRMAN. They had a bookkeeper to keep accounts of all the expenditures, and all expenditures for material received should have been charged on the books, and when you subtract these withdrawals from material from the material on hand, then you ought to get the amount of material on hand.

Mr. DOREMUS. Have you any reason to believe that the quantity of material on hand is less than the books show?

Mr. LUCAS. I know it; I am positive it is.

The CHAIRMAN. Can you give any idea as to the amount of the stock on hand? The books, I understand, show \$10,000,000.

Mr. LUCAS. The balance sheet shows \$10,000,000 each quarter. I do not think there is anything like the amount on hand that the balance sheet shows.

The CHAIRMAN. Do you think it is possible that there is as much as \$1,000,000 shortage?

Mr. LUCAS. Yes, sir; it is two or three million dollars short.

Mr. FAISON. You say that the general storekeeper changes about every three years?

Mr. LUCAS. Yes, sir.

Mr. FAISON. How many have been there since you have been employed there during the 12 years?

Mr. LUCAS. We have had five in that time.

Mr. FAISON. And you have had no inventory taken and no balance sheet taken?

Mr. LUCAS. The balance sheet is made every three months.

Mr. FAISON. But no inventory taken?

Mr. LUCAS. No, sir.

Mr. FAISON. Can you say whether the balance sheet is right?

Mr. LUCAS. No, sir.

Mr. FAISON. And no inventory has been made during the last 12 years?

Mr. LUCAS. No, sir; and Mr. Sims bears me out in that statement; he said there has been none made in 17 years.

Mr. FAISON. Does the law require that it shall be made?

Mr. LUCAS. I do not know; I do not know whether the law requires that or not.

Mr. FAISON. If I took charge of a business, I would want to get an inventory.

Mr. LUCAS. I am running a small business myself, and take an inventory every year to see where I stand.

Mr. FAISON. If there is to be a change of management, the man taking charge should require it.

Mr. LUCAS. I was talking to a gentleman and he said if you want to go at this thing in the right way, it would be a good idea to get the chief clerk of the auditor's office and also the clerk in charge of the manufacturing plant, a man named Reeves, because they could tell you a good deal.

Mr. MILLER. Has there not been a custom prevailing for employees of the Government to take material from the warehouses?

Mr. LUCAS. No, sir.

Mr. MILLER. And then paying for it?

Mr. LUCAS. No, sir.

Mr. MILLER. In this instance of that lumber you spoke of, was that a peculiar thing?

Mr. LUCAS. Yes, sir; you can not carry anything out of that Washington Navy Yard. You can not furnish a thing from the Government. They have some kind of a system of allowing them to do work for the officers who leave a deposit with the paymaster of the yard.

The CHAIRMAN. Can you give us a clearer idea of that shortage of the electrician amounting to \$8,000?

Mr. LUCAS. This material was bought by the general storekeeper and put in the yard.

The CHAIRMAN. It was bought from whom?

Mr. LUCAS. I do not know; it was electrical material.

The CHAIRMAN. It was bought and put in the yard, and then what became of it?

Mr. LUCAS. Then it was taken out and used undoubtedly.

The CHAIRMAN. Who did that?

Mr. LUCAS. The men doing electrical work.

Mr. McKINLEY. Did they take it out on requisitions?

Mr. LUCAS. It was done in some way.

Mr. McKINLEY. How? Was it locked up?

Mr. LUCAS. No, sir.

The CHAIRMAN. Who made the discovery of the shortage?

Mr. LUCAS. After the material had been drawn out they had to carry it by stubs, and then they found that the Yard and Docks Department did not have enough money under their allowance from the Navy Department to pay the shortage.

The CHAIRMAN. Who found the shortage?

Mr. LUCAS. The clerk in charge of the yards and docks found it out.

The CHAIRMAN. Who is that clerk?

Mr. LUCAS. He is a man named Dillon.

The CHAIRMAN. What is his given name?

Mr. LUCAS. James Dillon, of the Bureau of Yards and Docks.

Mr. FAISON. Who was the chief clerk you spoke of awhile ago?

Mr. LUCAS. J. B. K. Lee, chief clerk of the ordnance department.

The CHAIRMAN. Does that electrical account come under him?

Mr. LUCAS. No, sir; but he can tell you about the differences between the general storekeeper and the bureau. I do not think he would come. I have not had a chance to talk with him.

Mr. McMorran. Did you say there were 30 or 40 employees in your department?

Mr. LUCAS. There are 44.

Mr. McMorran. Would it be stating a fair average of their duties to say that they were as burdensome as those of the messenger you spoke of?

Mr. LUCAS. I do not know.

Mr. McMorran. You spoke of the duties of a messenger. Would that represent a fair average of the duties of the other employees?

Mr. LUCAS. No, sir; we have plenty of work to do.

Mr. McMORRAN. Would their actual work average more than that of the messenger?

Mr. LUCAS. Yes, sir; the office force is continually working.

Mr. McMORRAN. How much would their work average by the day?

Mr. LUCAS. They work at a pretty lively rate; the clerical force does.

Mr. McMORRAN. Are they employed eight hours a day?

Mr. LUCAS. No, sir; for seven and one-half hours a day—that is, from 9 till 4.30.

Mr. McMORRAN. Could you do that eight hours' work in two hours if you were doing it for yourself?

Mr. LUCAS. No, sir; not the work that system requires. There was so much red tape about it.

Mr. McMORRAN. That makes it more expensive?

Mr. LUCAS. Yes, sir.

Mr. DOREMUS. Will you tell us something about the form of requisition that is issued when some one wants material or supplies? A carpenter, for instance, wants lumber, and he issues his requisition. Now, what record does he have of that requisition? Is that record preserved in the form of a stub? I am getting at the system.

Mr. LUCAS. Do you mean that when a department wants anything they have a requisition made out?

Mr. DOREMUS. Some one in the navy yard wants material and he issues a requisition on the storekeeper?

Mr. LUCAS. Yes, sir.

Mr. DOREMUS. Now, what record has the person who issues the requisition?

Mr. LUCAS. He keeps a copy of it.

Mr. DOREMUS. That is what I am trying to get at. You spoke of stubs.

Mr. LUCAS. There are two kinds of requisitions. The requisition for supplies that the department wants is sent to the general storekeeper, and if he thinks they need the material he approves it and it goes to the Bureau of Supplies and Accounts.

Mr. DOREMUS. Is that requisition made out with carbon copies?

Mr. LUCAS. Yes, sir.

Mr. DOREMUS. Is it made out in duplicate or triplicate?

Mr. LUCAS. Six copies of them are made.

Mr. DOREMUS. Do you know to what different divisions the other six copies go?

Mr. LUCAS. Each department keeps one.

The CHAIRMAN. Explain fully how these requisitions for the different departments are made out. We will say that a requisition is made for 10,000 feet of lumber for a carpenter. Give a complete record of that transaction.

Mr. LUCAS. If the Ordnance Department needs 10,000 feet of lumber, they will issue a requisition on the general storekeeper.

The CHAIRMAN. When he issues it, how many copies are made?

Mr. LUCAS. About six copies; he keeps one and one goes to the general storekeeper; one or two of the rest go to the bureau; one of them is kept there and one goes to the department concerned. If a

big lot of material is ordered, they have a contract form and ask for bids on it. That is for a big lot of material.

The CHAIRMAN. But suppose the material is issued out of the store?

Mr. LUCAS. If a carpenter wants 100,000 feet of lumber for a house building down there, the man in charge of the work issues a stub requisition that goes to the carpenter, and the material is issued.

The CHAIRMAN. And the man who issues the stub requisition, does he keep a copy?

Mr. LUCAS. He keeps a record and puts the price on it, and the carpenter puts the price on it.

Mr. DOREMUS. What kind of a record does he keep?

Mr. LUCAS. He has a store card and puts the price on it.

Mr. DOREMUS. And he makes no carbon copy of it?

Mr. LUCAS. No, sir.

The CHAIRMAN. You are referring to the man who issues the requisition?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. And that shows what it is for?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. That is, 100,000 feet of lumber for such a purpose?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. And it goes to the man in charge of the lumber on the yard?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. And he fills it out and puts the price on it?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. And formerly, he did not?

Mr. LUCAS. No, sir.

The CHAIRMAN. What does he do with the stub when he fills it out?

Mr. LUCAS. He sends it to the general storekeeper's office.

The CHAIRMAN. No more than one copy?

Mr. LUCAS. They make three copies.

The CHAIRMAN. Who makes three copies?

Mr. LUCAS. The man that makes the card out for the material.

The CHAIRMAN. That is, the carpenter that wants the material for this purpose?

Mr. LUCAS. Yes, sir.

Mr. McKINLEY. Where do these copies go?

Mr. LUCAS. They keep one, the man that draws the material keeps one in his own office for himself, and then the other two go to the general storekeeper, and then he sends one to the store and one stays in the general storekeeper's office. One of them goes back to the officer under the Ordnance Department.

The CHAIRMAN. The first man that puts in the paper to draw the stuff, does he make more than one copy?

Mr. LUCAS. In the ordnance office, they make three.

The CHAIRMAN. Suppose you have a man working on a house that wants 100,000 feet of lumber. He is probably the superintendent of that improvement. When he makes out his order, does he keep a copy of it?

Mr. LUCAS. The man in the Ordnance Department keeps a copy in each shop.

The CHAIRMAN. I mean the first man who is working on that house?

Mr. LUCAS. They have a man in charge of that work, and the man, who is the boss or foreman, issues a stub; that is, the stub requisition.

The CHAIRMAN. That is not a verbal requisition from the man doing the work?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. That man in charge of the work, then, does not make a copy?

Mr. LUCAS. Under the Ordnance Department they make three copies. One copy remains in his own office, and on the other the carpenter puts the price and the others go to the office of the general storekeeper.

The CHAIRMAN. I understand that you are not now working for the Government at all?

Mr. LUCAS. No, sir.

The CHAIRMAN. This general storekeeper is supposed to carry on his books all the material on that yard?

Mr. LUCAS. Yes, sir.

The CHAIRMAN. Does he have other duties to perform?

Mr. LUCAS. I could not say; at one time he did not have charge of the medical department, but I understand that he has charge of the medical department now.

(Thereupon, at 12 o'clock noon, the committee adjourned.)

99172—No. 1—11—2

No. 1-A

HEARINGS

BEFORE THE

H. S.
" COMMITTEE ON EXPENDITURES IN THE
NAVY DEPARTMENT

OF THE

HOUSE OF REPRESENTATIVES

ON

HOUSE RESOLUTION NO. 109

TO INVESTIGATE THE EXPENDITURES IN
THE NAVY DEPARTMENT

JUNE 14, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

EXPENDITURES IN THE NAVY DEPARTMENT.

[Committee room, room 119, House Office Building. Telephone 413. Meets on call.]

RUFUS HARDY, Texas, *Chairman*.

FRANK E. DOREMUS, Michigan.

WILLIAM B. MCKINLEY, Illinois.

JOHN M. PARSON, North Carolina.

HENRY McMORRAN, Michigan.

CHARLES F. BOOHER, Missouri.

CLARENCE B. MILLER, Minnesota.

BEN L. PRINCE, *Clerk*.

as per Jan. 9/12

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1911a

EXPENDITURES IN THE NAVY DEPARTMENT.

COMMITTEE ON EXPENDITURES
IN THE NAVY DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Wednesday, June 14, 1911.

The committee met at 10 o'clock a. m., Hon. Rufus Hardy (chairman) presiding.

TESTIMONY OF MR. JESSE B. SIMS, OF WASHINGTON, D. C.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What position do you hold in the Navy employ?

Mr. SIMS. I am bookkeeper in the Bureau of Supplies and Accounts at the navy yard.

The CHAIRMAN. How long have you been in that position?

Mr. SIMS. It will be 18 years the first of next month.

The CHAIRMAN. You have been keeping books at what particular point?

Mr. SIMS. Do you mean my work?

The CHAIRMAN. Yes.

Mr. SIMS. There are two ledgers kept in the Bureau of Supplies and Accounts, one called the stock ledger—when I speak of it as ledger, we keep it as the loose-leaf system, and I believe I have 35 or 36 volumes to keep—that carries the material and the price of the material. I handle now only the manufactured goods in the yard; that is, what is made in the various shops there, the material which is drawn from the general storekeeper and the manufactures invoiced back to him by the Ordnance Bureau. There is another book called the class ledger, which, as accompanied by the vouchers, makes returns to the Navy Department; that is, to the Bureau of Supplies and Accounts in the department.

The CHAIRMAN. To the general bureau?

Mr. SIMS. Yes, sir. They do not carry the material in the class ledger, but only carry the money.

The CHAIRMAN. Explain, so that the committee will understand, the difference between your stock ledger and your class ledger.

Mr. SIMS. When an invoice is made to the general storekeeper, it is taken down by both stock and class ledger. I keep the stock ledger; that is, I enter the material that is charged up against the general storekeeper by the receipt invoices which are taken up. That, of course, has the date and all accompanying information.

The CHAIRMAN. That is, the stock ledger, you mean, with the date?

Mr. SIMS. Yes. The class ledger takes up the dealer from whom the goods were purchased, the outside party, the contractor, and the amount of money; but does not carry the name of the material.

The CHAIRMAN. That is, the items of the material?

Mr. SIMS. They have nothing whatever to do with the material or the quantity. They only carry the money, and they make the returns in money in the class ledger to the bureau every quarter, accompanied by the vouchers for the same.

The CHAIRMAN. If I understand that right, an order is made under a contract with some party contracting to furnish material to the Government, and he supplies that order, giving you a list of all the items in his bill, and you, in your stock ledger, put down that order with all the items of material furnished?

Mr. SIMS. Yes, sir.

The CHAIRMAN. You also run out the price it amounts to in the stock ledger?

Mr. SIMS. And the cost, and we extend that.

The CHAIRMAN. The class ledger does not do this at all, but just as invoice No. so-and-so?

Mr. SIMS. The date, the number of the voucher, the name of the dealer, and the value in money.

The CHAIRMAN. Without regard to what it is for?

Mr. SIMS. Yes, sir.

The CHAIRMAN. So, that that class ledger simply has the numbers of the invoices, the names of the parties furnishing, and the amounts, all aggregated at the bottom?

Mr. SIMS. Yes, sir.

The CHAIRMAN. So that you can not tell what that material is?

Mr. SIMS. No, sir.

The CHAIRMAN. Does the committee wish to know why those two sets are kept? I do not know but what I would like to have it clear to my mind. Why do you keep two different ledgers?

Mr. SIMS. It is because the department—the Bureau of Supplies and Accounts—requires an accounting at the end of every quarter, accompanied by vouchers for the receipt and expenditures of the same, with the balance brought over, and the amount of receipts and expenditures during the quarter, either added to or subtracted from the total on hand. The stock ledgers keep only the material and the money, and are not required to make quarterly statements; what the department wishes is the amount of money expended.

The CHAIRMAN. Or the amount of stock in money expended?

Mr. SIMS. Yes, sir; and the stock ledger is not required to make any such statement.

The CHAIRMAN. Does your class ledger include all of the material that is expended?

Mr. SIMS. Yes, sir.

The CHAIRMAN. So that if somebody makes a draft on the general storekeeper for some supplies that are needed, he hands them out, and you call that expending?

Mr. SIMS. That is an expenditure, and he credits himself on the books by an account. The way material is drawn, each order is signed by the foreman of the shop.

The CHAIRMAN. That is, an order on the general storekeeper?

Mr. SIMS. An order on the general storekeeper for material which such shop has required. He makes out a stub requisition in duplicate, a stiff copy about the size of the sheet there [indicating], and a soft copy. The prices are placed—the unit of cost, with the extension—on those two cards. One of them is returned to the bureau, and as

this is an ordnance yard it is nearly always an ordnance card. That is returned to the Ordnance Bureau, and the storekeepers keep an account, a thin card, which is simply a sheet of paper, printed, of course, with the necessary form. That is retained by the general storekeeper for his own protection. They are signed in duplicate by the man drawing the material for the shop, and one copy is returned to Ordnance after it is priced by myself or others, which prices are gotten from the book.

The CHAIRMAN. Who does that pricing?

Mr. SIMS. It was formerly done by two men. Account B, which is for the increase of Navy armor and armament, was kept by myself, all the material belonging to account B which has not been changed to ordnance account BB. The other, account A, was kept by another man in the office, an assistant bookkeeper.

The CHAIRMAN. What did that include?

Mr. SIMS. That includes general stock. It covers everything that is not turned into general stock, as it should be, and at the expiration of a year all material not drawn in account BB for the increase of the Navy becomes general stock. I formerly priced all stub requisitions or cards, as we call them, that were drawn in account B, and a man named Mattingly, who died about three years ago. He was subsequently replaced by another man named Pitcher, who kept them until about a year ago; then I priced all material.

The CHAIRMAN. As I understand, what you mean by your pricing of material is that if anybody in the department wanted to make a draft on the general storekeeper for something he wanted out of your supplies and accounts there he made an order?

Mr. SIMS. Yes, sir.

The CHAIRMAN. And it was supplied from the yard?

Mr. SIMS. Yes, sir.

The CHAIRMAN. The party supplying it put in the items supplied in that order, but as to the value of them, the price of them, you did that yourself?

Mr. SIMS. I did that.

The CHAIRMAN. Who does it now?

Mr. SIMS. At present the whole system has been changed down there, and I have been keeping, for the year past, both accounts A and B. But it was changed so that I kept only the manufactured articles, articles manufactured in the various shops in the yard, under the direction and orders of the Bureau of Ordnance; and the other shops and the goods are divided up now so that purchased goods are really under the control of seven men besides myself. Among others are a number of laborers, which is in direct violation of civil service and every other law.

The CHAIRMAN. What do you mean by the purchased goods, the goods that are bought from you?

Mr. SIMS. The goods that are bought from manufacturers or dealers on the outside.

Mr. MILLER. What classes of goods would that comprise?

Mr. SIMS. That comprises everything in the way of raw material—metals, iron, steel, and everything of that sort—mostly steel, copper brass, and bronze.

Mr. MCKINLEY. I do not think he is answering the Judge's question at all. You asked him, Mr. Chairman, who put the prices on those goods that were taken out. He has not answered that.

Mr. SIMS. I put the prices at present upon all goods that are manufactured in the yard—that is, for shipment to vessels in service or for shipment to other yards. The shipping clerk is furnished with a list of that material that is shipped off by the gunner who is in charge of that. He comes to me and gets the prices from my books—that is, of manufactured material. The raw material, such as iron, steel, brass, bronze, and everything of that kind, all material unmanufactured, is kept in various places in the yard, and each is kept in the hands and is under the supervision of another man, who is required to keep an account of that, and until recently that was kept on orders known as stock cards, which is the loosest form of bookkeeping in the world and is not at all reliable. But formerly and recently they have been required to keep them in loose-leaf ledgers, and those are kept by seven men besides myself, who are not bookkeepers. One of them is an uneducated negro, who has charge, for instance, of what is known as the oil house, containing oils and what few things there are of an inflammable nature. Most things of an explosive nature are sent to the magazine. But another man, who is now expected to take an inventory, and has begun on it, is a man not a bookkeeper, and that is contrary to civil-service rules. Those men have been put in charge there to keep those books, and they are laborers, not even clerks.

The CHAIRMAN. I do not understand what you mean by keeping the books. You say, for instance, there is a negro in charge of the oil supplies. What does he do?

Mr. SIMS. When goods are received in the yard, the inspection clerk is notified if they are received from any contractor on the outside who has received the contract to furnish these goods supposedly at those prices. He notifies the inspection officers that those goods are in store and ready for inspection.

The CHAIRMAN. And delivery?

Mr. SIMS. No; they are delivered then; but they are subject to inspection before they are accepted. An inspection call is made, and if he approves that, he returns it to the clerk who has charge of the desk, and he turns it over to the bill clerk; the dealer sends in his bill, and the bill clerk makes out his bill and voucher for the payment of the bill, which he returns to the Bureau of Supplies and Accounts, Navy Department. When any one of the shops wishes to draw any material which they have required they give this stub requisition which I told you about; then the man who gets the material goes down to the general storekeeper, or any one of the various officers, and gets the material, turns in the card, the bookkeeper prices the card, returns one copy to the Ordnance Bureau to keep an account of it and enter it into the cost of the manufacture, and the other is kept for the protection of the general storekeeper.

Mr. MILLER. I understood you to say a little while ago that when the foreman of a shop desired the material made on his stub requisition he indicated on that the unit of cost. Did I misunderstand you?

Mr. SIMS. No, sir; he does not indicate; he simply makes out his card with the job order number, whatever job the material is ordered for, or the vessel, or the purpose.

Mr. MILLER. As I understand, you fix the cost or price on manufactured articles that are being shipped out?

Mr. SIMS. Yes, sir; the cost is fixed by the bookkeeper.

Mr. MILLER. Supposing you have a big 12-inch cannon being shipped out; do you fix the price on that?

Mr. SIMS. Yes, sir.

Mr. MILLER. Tell us how you arrive at your cost.

Mr. SIMS. In the case of a cannon, the various parts comprising the cannon, the tube, the jacket, the hooks, and so forth, are furnished in an unfinished state by the contractor, generally by the Bethlehem or the Midvale company, and are invoiced to the general storekeeper. He enters them, charges himself up with them. That is on the receipt side of the book, which is my business. When the Ordnance Bureau wishes to manufacture a gun, say, a 12-inch gun, they draw the material out, which is there in the yard. They do not give a card then, but when the gun is assembled, they put the cost of the various parts, which in the meantime have been invoiced to the Ordnance Bureau, together with the cost of labor—that is, the finishing and the putting together and the banding, and all that sort of thing, and completing the gun. When that gun goes out to a ship which is going into commission, it is shipped by the gunner and the shipping clerk jointly; the gunner notifies the shipping clerk that such and such a gun has gone. When that gun is completed the raw material has already been charged to ordnance. They add the cost of labor and invoice it back to the general storekeeper under a certain number. Every gun going from the navy yard is numbered. That gun is then charged up to the storekeeper by the Ordnance Bureau. I price that gun. Every gun is kept by size, number, and so forth. I price that gun to the shipping clerk; he makes up the invoice in three copies, and one goes to the vessel after she is in commission, of course; no invoice is sent to a vessel until she goes into commission.

Mr. MILLER. Then the elements that go into this estimate you make of the cost you receive from others who are keeping books as well as yourself; for instance, the amount of labor, and the cost of the jacket, the cost of the tube, and so forth. You take those figures as they are furnished you by those who are handling those particular parts?

Mr. SIMS. By the Ordnance Bureau.

Mr. MILLER. And you add them together and make the total?

Mr. SIMS. No. When the gun, after being finished, is invoiced to us, it is invoiced as one article, as a whole, but on that invoice is specified the cost of the article in the raw state.

Mr. MILLER. You did not understand my question. You say you fix the price. When you do that, you add together the items that go into the cost; you do that yourself, do you not?

Mr. SIMS. No, sir. It is done by the Ordnance Bureau.

Mr. MCKINLEY. Then you do not fix the price?

Mr. SIMS. They, on their invoice to the general storekeeper, have three items, cost of material, labor, and so forth. They put that up and make that the entire cost of the gun. For instance, if a 12-inch gun costs \$100,000, they invoice gun 44, whatever it is, 12-inch gun built for such a ship, to the storekeeper, with the total added together, which they add in the Ordnance office, and not in the office of the Bureau of Supplies and Accounts or the general storekeeper's office.

The CHAIRMAN. That gets back to the question about who fixes the price of these expenditures. You make out your store account, and we stopped at the place where you had an order for oil, or something of that sort, and the stub was given.

Mr. SIMS. Who fixes it?

The CHAIRMAN. Yes.

Mr. SIMS. That is fixed by the purchase price from the contractor furnishing the goods and is taken up at such price—article, quantity, unit of cost, and total—on the books of the general storekeeper, taken up by the stock ledger and the bookkeeper; but only the amount of money and the party from whom purchased are entered on the class ledger.

The CHAIRMAN. When somebody comes to that oil place to get a requisition, he has made a stub order?

Mr. SIMS. Yes, sir.

The CHAIRMAN. And it is filled. I believe you say there is a negro in charge of that. Who puts the aggregate price of the bill gotten?

Mr. SIMS. On the stub requisition?

The CHAIRMAN. Yes.

Mr. SIMS. The man in charge of that material. For instance, the man in charge of our oil house is a negro named Minor, who is a laborer—formerly a laborer—until recently a packer in the stationery room.

The CHAIRMAN. You said something about some practices being contrary to the rules.

Mr. SIMS. It is contrary to orders to require a laborer to do clerical work, not only against the rules and regulations, but against the civil-service orders and contrary to repeated instructions from the Secretary of the Navy.

The CHAIRMAN. I want to see what clerical work it is that he does.

Mr. SIMS. He takes the receipts. That is, for instance, take so many barrels, or so many thousand gallons of oil. He receives an inspection call from the inspection clerk, enters that up as receipts, which is a charge against the general storekeeper. Say, a stub requisition comes to him for 100 gallons of oil; he issues the oil, draws the oil against that, he places the price, the units of cost per gallon, and makes the extension. Say, 100 gallons of oil, at 50 cents a gallon, would be \$50. That is entered up on his book.

The CHAIRMAN. Has he a book?

Mr. SIMS. Yes, sir.

The CHAIRMAN. That \$2 man there in charge of that?

Mr. SIMS. Yes, sir.

The CHAIRMAN. That is simply like a daybook, in which he enters his contracts as they come in?

Mr. SIMS. Yes, sir.

Mr. MILLER. And the only two items he keeps are the amounts received and the amounts he gives out?

Mr. SIMS. No; he keeps the book on the same plan as the stock ledger, and that has been divided up until, as I told you, it is in the hands of eight men in the various shops.

Mr. MILLER. I understood you to say that this man in charge of oil, for instance, kept an account of how much oil he receives and also an account of how much he issues?

Mr. SIMS. Yes, sir.

Mr. MILLER. So he would know at all times just how much he had on hand?

Mr. SIMS. He ought to know; yes, sir.

Mr. MILLER. Does he keep anything else besides that?

Mr. SIMS. He puts the price on the stub requisitions and turns them in every day.

Mr. MILLER. That price is furnished him by the inspection clerk?

Mr. SIMS. Yes.

Mr. MILLER. He does not make the price; he takes what is given him?

Mr. SIMS. He takes what is given him, but he is supposed to place on that stub requisition the price at which it was invoiced to the general storekeeper. He has no option in the matter.

Mr. McKINLEY. What is there wrong about that?

Mr. MILLER. I was going to ask how you think it ought to be done.

Mr. SIMS. I think it is wrong to put men entirely uneducated in charge of any kind of books, and the man says, "I know nothing about bookkeeping."

Mr. McKINLEY. You think it would be better to have another man there to help him so as to cost the Government a little more money?

Mr. SIMS. No, sir; that is not my idea. My idea is that it is not necessary for a bookkeeper to sit straddle of a barrel of oil when he sells it. The laborer who issues it can give him the little card instead of having the books kept by an ignorant day laborer. A man need not keep the books in the presence of a lot of goods he sells. The clerk reports to him—the clerk who makes the sale—on some sort of a blotter, and he makes the sale and fixes the price. Errors necessarily creep in when you have a lot of laborers. One day they told the man in charge of the lumber to keep his books, and he very promptly informed them, "I know nothing in the world about bookkeeping; I am a carpenter." They told him, "You had better learn bookkeeping." He said, "I have not time." They said, "Then go to night school and learn bookkeeping."

The CHAIRMAN. Your idea is to get this thing clear on the oil account. When a stub requisition comes in for so many gallons of oil out of this oil store, it ought to come to you or to somebody, and they simply send it down to the negro in charge and tell him to furnish that list?

Mr. SIMS. No, sir. I do not know that we differ greatly; but my idea is this, that a man should be put in charge of the oils, a laborer, if he is competent, to issue the material. The stub requisition shows how much oil is drawn. If one of the shops wants 100 gallons of oil, let them send over to the man in charge of the oil. He need not price it, he need not keep any account.

The CHAIRMAN. He need not do anything but fill the bill?

Mr. SIMS. All he has to do is to issue that 100 gallons of oil, and at the end of each day, if desirable, turn it in to the bookkeeper and let him keep the accounts, instead of adding to the cost. We have eight bookkeepers there; that is, so-called bookkeepers.

Mr. MILLER. Do these seven or eight men, who you say keep books in this way, make a report to other bookkeepers who handle the same items?

Mr. SIMS. Only to the class ledger; they do not to the stock-ledger bookkeeper.

The CHAIRMAN. I do not see that there is much one way or the other in that, except that you have a very ignorant man making figures and multiplying items of cost and keeping a sort of a day book of receipts and disbursements, and he sends you in your stub, or sends that stub

of what he has paid out in to somebody. If they find there is a mistake in the calculation they can correct it. I suppose it is their business to calculate it?

Mr. SIMS. Sometimes they detect it, but it is not their business. That quantity of oil is already charged off.

Mr. McKINLEY. I wonder if this is what we are here for.

Mr. DOREMUS. I think we ought to know something about the system of doing business.

Mr. McKINLEY. Would not the best way to find out be to get some of the heads of the departments to testify before us, and then get these people who are not satisfied to come in and criticize?

Mr. DOREMUS. I think it would be perfectly proper to call the heads of the departments; but sometimes the heads of the departments do not know as much as the subordinates about the systems.

Mr. SIMS. In my experience the heads of the departments know very little of the details of the work.

Mr. DOREMUS. That has always been my experience.

The CHAIRMAN. I do not know what line we want to pursue, but it seems to me a man who has been keeping books there for 18 years ought to know.

Mr. McKINLEY. As I gather, here is a gentleman who has made his life work keeping books. Naturally, he knows about bookkeeping; he thinks it ought to be done a certain way, and he objects to somebody else keeping books who has not had the experience he has. That inquiry as to the system is something that we should inquire about from the people in charge of the Navy Department.

Mr. SIMS. Excuse me, sir; I think you misunderstand. When I object to it, I think there are objections to it which could be urged by others. It would put more work on the real bookkeeper if he were required to furnish this. But I do contend and hold that as the heads of the departments, both the Secretary of the Navy and the head of the Civil Service Commission, contend that almost unlettered men should not be kept in charge of the accounts, it must be wrong.

Mr. MILLER. Just name the seven or eight different departments. One is oil, one is lumber; what are the others?

Mr. SIMS. Do you wish the names of the men keeping them?

Mr. MILLER. No; just the names of the departments.

Mr. SIMS. The lumber yard is kept by a man named Spicknall. He turns in daily the amount of his money, but not the articles.

Mr. MILLER. That is not my question. I just want you to tell me the different departments.

Mr. SIMS. The eight men?

Mr. MILLER. Yes.

The CHAIRMAN. Right there, Mr. Miller, that is a new idea. That Spicknall, the lumberman, turns in the amount of money but not the articles.

Mr. SIMS. He does not turn in the articles; he turns in the total—receipts and expenditures.

The CHAIRMAN. To your class ledger?

Mr. SIMS. He turns in the total daily.

The CHAIRMAN. Where does the class ledger get any check on whether he has added or multiplied his figures rightly or wrongly?

Mr. SIMS. They try to do it, but they are wrong every day. The oil house is kept by a man named Minor; that is two. The manu-

factured articles, in the ordnance line, are kept by myself. That covers about, probably, 75 per cent of the accounts. The metal house—that is, steel and iron are kept in store 10 by a man named Canton.

Mr. MILLER. Is he a competent bookkeeper?

Mr. SIMS. I do not know how much bookkeeping he acquired in his business at Woodward & Lothrop's—wrapping bundles, so I have been told—but that is all the experience he ever had in book-keeping, I think. At least so I am told by a fellow associated with him there.

Mr. McKINLEY. Does he keep the same kind of books you do?

Mr. SIMS. Yes, sir; he does now. Formerly he kept simply stock cards, with not the money, but the amount of material expended on the stock card.

Mr. McKINLEY. Then, do I understand that he is at least attempting to do, at \$2 a day——

Mr. SIMS. He gets more than \$2.

Mr. McKINLEY. What does he get?

Mr. SIMS. I do not know what he gets now. I think he gets \$3.50; I do not know.

Mr. McKINLEY. Is he a common laborer?

Mr. SIMS. He was placed in the office as such.

Mr. McKINLEY. Is he now under civil service?

Mr. SIMS. I presume he is. I do not think he ever took an examination.

The CHAIRMAN. Who is the man you are speaking of now?

Mr. SIMS. George Canton.

The CHAIRMAN. He gets \$3.52 a day.

Mr. McKINLEY. Then could he be a common laborer, if he got that?

Mr. SIMS. He could be promoted according to the request and recommendation of the general storekeeper.

Mr. McKINLEY. Is there no limit to the price of a common laborer?

Mr. SIMS. No, sir. There are machinists, and all that class of men who get, some of them, \$7.

Mr. McKINLEY. Are they not under civil service?

Mr. SIMS. No, sir. They are subject to dismissal at the will of the commandant.

Mr. McKINLEY. They are hired and discharged that way?

Mr. SIMS. Yes, sir.

Mr. MILLER. Let us get the rest of them. There are four.

Mr. SIMS. I have named, I believe, Minor, in charge of the oil house, and Canton, in charge of store 10, the steel house.

Mr. MILLER. The carpenter, and yourself.

Mr. SIMS. The carpenter, Spichnell, and myself. The man in charge of the small goods, what is known as shelf goods, Hollis. Stephenson was removed the other day to assist on an inventory.

Mr. MILLER. Is he a bookkeeper?

Mr. SIMS. He is a man unable and who failed to take a civil service; failed, I believe, three times.

The CHAIRMAN. What is his name?

Mr. SIMS. Hollis.

Mr. MILLER. Does he try to keep the same sort of books you do?

Mr. SIMS. Yes, sir.

Mr. MILLER. Is it what you call shelf hardware, bolts, and things of that kind?

Mr. SIMS. Yes, sir; bolts and washers and screws, and everything in the small line.

Mr. MILLER. That is five; let us have the others.

Mr. SIMS. Goldberg, in charge of the stationery. He has a room to himself.

The CHAIRMAN. Hollis is marked as a minor clerk, \$2.16.

Mr. SIMS. He was sent there as a messenger or as a laborer. We have, besides that, three men up in my room doing work. Two of them came there as messenger boys at \$1.04 a day; they are doing clerical work now.

The CHAIRMAN. Who are they?

Mr. SIMS. One's name is Purcell and the other Kuhner.

The CHAIRMAN. I see Brooks Purcell is marked \$1.04.

Mr. SIMS. Yes, sir.

The CHAIRMAN. And Kuhner is \$1.04. What clerical work do they do?

Mr. SIMS. Kuhner is assistant to the requisition clerk, and does typewriting and things of that nature. I do not think he knows much about figures.

Mr. MILLER. You have given us six.

Mr. SIMS. Another has charge of the coal and lime, and things of that nature.

The CHAIRMAN. Who is he?

Mr. SIMS. His name is Brennan.

The CHAIRMAN. Goldberg has \$2.96, Brennan \$2.80 a day. I notice your rating is \$4.24 a day. There was somebody else you gave us just now.

Mr. SIMS. Brennan.

The CHAIRMAN. Hollis is \$2.16 a day.

Mr. SIMS. Yes, he got a raise of 16 cents a month or two ago.

Mr. MILLER. What can you say of this man who has charge of the coal and cement?

Mr. SIMS. He had no experience, and told me when he began book-keeping he would come to me for advice and assistance in the matter, and I told him I had no time to give him in the matter, but I would when I had time; and I made out his first monthly coal reports, and corrected them, and so forth, and showed him how to make them out; but as to keeping his coal accounts down at the coal chute, I do not have anything to do with it; I do not know anything about it. He receives a stub requisition or requisitions from what are known as yard ships, such as the *Dolphin*, the *Sylph*, and tugs that come in, and keeps those accounts. He told me he was no bookkeeper, and I know he is not.

Mr. MILLER. Do you think the fault lies in the system or in the character of the men who are doing this work?

Mr. SIMS. That is a question that is open to debate, and what I would express on the subject would be simply an opinion. I do not think you could expect to get men competent to keep books in a Government department at \$1.04 a day, or \$2 a day.

Mr. DOREMUS. Mr. Miller asked you whether there was any fault down there at all, any defect in the system?

Mr. SIMS. I am well aware that during my time as bookkeeper there have been very extensive frauds in the purchase of material, in times past, and the same opportunity is open to a man now who wishes to swindle.

Mr. DOREMUS. I think the point Mr. Miller is getting at is this, are those frauds occasioned through some fault of the system that is used there, or through the men who are employed?

Mr. SIMS. I think through the purchasing department. I see no chance for fraud on the part of the men who are handling the material, the clerks there, because they could not benefit except by collusion in the delivery of the goods. For instance, a man with a large contract for coal, who delivers it to the navy yard in carloads, sometimes in barge lots, that is weighed, and his report turned in by collusion with the contractor. As a matter of course, there could be frauds in weighing, just as there are in the customhouse or anywhere else. There is a vast opportunity for frauds in the purchase of goods. For instance, some years ago, when I had charge of all outside material that was bought, I called attention to the fact, when a matter was under discussion, why the navy yard could not compete in the manufacture of articles belonging to ordnance—

The CHAIRMAN. Just right there; that is a matter we want to get to. We want that particular thing, and we want it all in detail, and we would like, all of us, to get that clear in our minds.

Mr. SIMS. If I am not explicit enough, ask me any questions you wish to.

The CHAIRMAN. That matter of some years ago, the controversy that came up; that is what we want.

Mr. SIMS. The material was being brought there, and the general storekeeper and several of us were talking about the reason why the navy yard could not compete with outside parties in furnishing certain material, and I stated that it was because we paid several times as much for our goods as outside parties paid.

The CHAIRMAN. That is to say, when material was being brought there of a certain character from a certain party. Who was the party and what was the character of the material?

Mr. SIMS. One of those parties, I remember, who figured in it, was J. B. Kendall, a merchant of this town. But since that time I have been in charge of the manufactured material, and there is no opportunity for fraud there.

The CHAIRMAN. What year was the Kendall transaction?

Mr. SIMS. I began to notice it, I guess, especially, 10 years ago, when the bills became so inordinately extraordinary.

Mr. MCKINLEY. About 1900?

Mr. SIMS. Yes, sir; that went on for several years, until Pay Inspector Carpenter's régime, when he was general storekeeper—

Mr. MCKINLEY. How long ago was that?

Mr. SIMS. About eight years ago, and after that they took those books away.

The CHAIRMAN. When did the conversation come up when you began to call attention to the fact that the Government could not furnish these things, and this Kendall matter came up?

Mr. SIMS. I could not fix the date accurately; I should say 9 or 10 years ago.

The CHAIRMAN. Who was then general storekeeper?

Mr. SIMS. When I first noticed it Frailey was, and he was succeeded by Carpenter, his nephew, I believe. In discussing the question of the high cost of material manufactured in the navy yard, I said it was impossible to compete with outsiders when they paid, in many instances, less than one-third, and if you wish for specific facts in the case—

The CHAIRMAN. That is what we want.

Mr. SIMS. He would say, "Point me to an instance." I said, "We are buying steel now"—

The CHAIRMAN. Who was that asked you to point him to an instance?

Mr. SIMS. Paymaster Carpenter. He was then a paymaster; he has since been promoted. I said, "For instance, soft steel; we are paying \$9.85 a hundred for soft steel. Outside parties are paying \$2.50 and \$2.75 for the same steel." He said, "Show me some bills." I said, "There is one here now being delivered, of J. B. Kendall." The amount of that bill alone was, as well as I remember—an old gentleman prepared the data for me some time ago, and said he would give it to me if I should want it.

The CHAIRMAN. Who prepared the data for you?

Mr. SIMS. The former bill clerk, Mr. Bogley, who died a couple of weeks ago. I have been trying to find the papers he had.

Mr. MILLER. Can you remember approximately?

Mr. SIMS. One about sixty thousand. I remember we bought thousands of dozens of files of various kinds and every description, round and rat-tail, at an average of between \$10 and \$12 a dozen, when they were worth, in the open market, from \$2.50 a to \$3.

Mr. MILLER. From whom were they purchased?

Mr. SIMS. I think that bill came from the same man, Kendall.

Mr. DOREMUS. Were those purchased under contract?

Mr. SIMS. When a thing is required by the yard, or by any shop in the yard, the general storekeeper is notified, and the law requires that proposals for those bids be put out, three copies, to responsible merchants—merchants who are able to fulfill their contracts. But Kendall had almost a monopoly of those things; he got them, and it led to the belief that either he was a favored party, or that the three proposals were not sent out, or that the cheapest proposal was not accepted. That I have no means of knowing.

Mr. DOREMUS. Do I understand there was no public notice of the letting of these contracts at all?

Mr. SIMS. I presume there was.

Mr. DOREMUS. You presume what?

Mr. SIMS. I presume there was.

The CHAIRMAN. I understand the witness does not know about that.

Mr. SIMS. I do not know.

Mr. McKINLEY. Mr. Sims, that was the custom 8 and 10 years ago; is that the custom now?

Mr. SIMS. I have not charge of those books. That is the custom, yes, sir; but I have not the books, and therefore I could make no comparison.

Mr. McKINLEY. You do not know at all about this being done now?

Mr. SIMS. No; because I do not handle the goods. I handle only the goods manufactured in the navy yard.

The CHAIRMAN. Mr. McKinley, let me suggest that I have been getting at this particular transaction, but I have not got it clear, and I want this witness to make the entire matter perfectly clear.

Mr. SIMS. I know, as another fact, of a very large contract for screws, thousands of screws. The average price on those screws was \$3 per gross, when the highest-priced screw carried on my books was a long brass screw, which was priced at about \$1.55, and the smallest screws were in demand, and a great many of those screws were worth 7 and 8 cents a gross. We paid that bill, for thousands of gross of screws.

The CHAIRMAN. Running to some ten or twelve times the actual market price?

Mr. SIMS. Fully twenty.

The CHAIRMAN. As I understand, when you reported to Mr. Carpenter the excess charges on numerous bills he wanted you to go and show him where they were?

Mr. SIMS. I showed him the bills.

The CHAIRMAN. And you commenced with this soft-steel account?

Mr. SIMS. I commenced and went through. He said, "If you know of any others, show them to me," and I showed him, and he said, "I don't want to see any more."

The CHAIRMAN. Tell us what you showed him.

Mr. SIMS. I showed him where iron pipe cost \$1.08, and in the open market it was selling at 10 and 12 cents, not any more.

The CHAIRMAN. What size of pipe?

Mr. SIMS. Pipe used around the yard.

The CHAIRMAN. About what diameter?

Mr. MCKINLEY \$1.08; what size was that?

Mr. SIMS. I could not say positively without referring to the books in the office; but I remember the bills and calling his attention to them, and he said, "It is wrong. You need not show me any more. But I want you to examine all these accounts that come in in the future, and I will furnish you with a stamp saying that you have examined every requisition made in this office, and that the price is correct." When the Ordinance Bureau makes a requisition for any material they put the estimated cost on there, and they put the estimated cost sometimes anywhere from 300 per cent over to 500 per cent, and that would pass through. I know positively that this man Kendall would come there and inspect our books, and I have seen, verbatim et literatim, the guess made by Ordnance as to the cost copied and taken, and he would furnish those goods right straight through from start to finish at that price.

The CHAIRMAN. At that estimate?

Mr. SIMS. Yes, sir; and there was not a variation of a figure sometimes.

The CHAIRMAN. Now, to stick to that original business, what was the upshot of this exposure or claim made by you of false pricing, overpricing?

Mr. SIMS. About that time, as you probably remember, there was an investigation going on in the Post Office Department, and the general storekeeper, Mr. Carpenter, came to me—not once, but not less than 25 times or more—and asked me to say nothing about this, that they would rectify that matter in the department, and not to

speak of it to outsiders, and I kept it to myself, because I was warned that a failure to do so would result in my dismissal.

Mr. McKINLEY. Did they rectify it?

Mr. SIMS. I will tell you how he rectified it. As I told you, I made the account on the stock ledger, and the figures were Carpenter's. He came to me and said, "You have brought the bills. Where it says steel and screws and everything else were bought at a particular price and were furnished by contractors other than Kendall, now, I want you to take that stock ledger and manipulate it." He did not use the word "manipulate," but that is what I did, juggled with it under his orders, and reduced the price on material that we were to issue to ordnance down to a legitimate price. Say, where material cost 9 or 10 cents I reduced it to 3 cents. Of course, that reduced the amount I carried on my books. I told him, "Mr. Carpenter, you are well aware my ledger should correspond with the class ledger on which returns are made, and therefore I must have vouchers expending that amount of money to rectify the books, which are in error. I do not care what form you suggest for the voucher, I will make it. So that I turn in the voucher, I erase the price, the money, from the article, and the voucher, after I am through with it, goes to the class ledger, and he deducts that money from the class ledger. That was never done. He said, "Never mind, I will attend to all that." Maybe he did, but it never went on the books.

Mr. McKINLEY. Did they get this money back from Mr. Kendall?

Mr. SIMS. In one instance, and there is where they stopped dealing with Mr. Kendall. It was common talk in the office; the bill clerk and I were most familiar with the facts. Mr. Carpenter was very indignant, and told me there was scoundrelism somewhere, and told me, "I will not speak to Mr. Kendall." He was forbidden the office after that; he did not come in there; and not only that, but the department, as I understood. I noticed for a long time that the department did not buy any more from Kendall.

Mr. McKINLEY. Did they get any money back from Mr. Kendall?

Mr. SIMS. In one instance, a large case, a contract for steel, he was not to be paid. It was going to be delivered at the time when Mr. Carpenter and I had this talk, when he investigated it, and I have forgotten the amount, but on that contract alone, which involved more than \$60,000, I think they reduced that one bill to about \$11,000; so I was told by the bill clerk.

Mr. McKINLEY. In other words, they got back about \$50,000?

Mr. SIMS. It had not been paid; but in cases where it had been paid prior to that time I do not know what they ever did.

The CHAIRMAN. They never got any of that back, as far as you know?

Mr. SIMS. As far as I know, they never did.

Mr. McKINLEY. You do not know whether they did or not?

Mr. SIMS. I do not think they did; I never heard of any proceedings.

The CHAIRMAN. If they had gotten some back it would have had to go on the books somewhere, would it not?

Mr. SIMS. No, sir; not after it had been received and expended to the Ordnance Bureau. It was always expended at the high price. That was why I said the goods cost so much, the manufactured goods.

It had been expended off the books, and the storekeeper was relieved of the charge.

The CHAIRMAN. If that money came back into the department the books somewhere must show.

Mr. SIMS. The contract was concealed—that contract.

The CHAIRMAN. I know; but if they got any money back they had paid out to Kendall that would have to show somewhere?

Mr. McKINLEY. You mean, Mr. Sims, it would not show on your books?

Mr. SIMS. It would not show on my books, and I do not believe it ever showed anywhere, to the best of my knowledge.

Mr. McMORRAN. Can you tell us whose duty it was at that time to advertise the bids and to receive bids and to allow the contracts?

Mr. SIMS. When those contracts were submitted they would go to the purchasing officer, to the pay office.

(The committee thereupon went into executive session, at the conclusion of which the hearing was resumed.)

The CHAIRMAN. Mr. Sims, as I understand, this investigation of these various accounts of which you have been telling us resulted in the cancellation of a very large account, and also resulted in your being furnished with a stamp stating your approval of the different items thereafter to come in, which you sometimes used and sometimes did not. But that you were asked to keep this matter quiet, that it would be straightened out, and then you were asked to make some corrections in your books, which you did. What were those corrections?

Mr. SIMS. So far as they have gone, I judge those statements are correct, and I believe are very nearly exactly as I made them. Of course they are a little different, but they are the facts. The corrections made in my books were the scratching out and the changing in the accounts of the prices at which the goods had been bought, reducing the amounts to what, in my opinion—in other words, I was to be the judge of what those things ought to cost, from past experience, and I erased the surplus amounts from my books without a corresponding erasure in the class ledger or a voucher to accompany my erasures.

The CHAIRMAN. Your books, before you made those erasures, corresponded with the amount of money that had been paid out by the department?

Mr. SIMS. Yes, sir; nearly.

The CHAIRMAN. What would they do after you made those erasures?

Mr. SIMS. They simply did not do anything. I simply charged in future, when stub requisitions came to me from the Ordnance Bureau—

The CHAIRMAN. You do not get the point of my questioning. You had your books charging so many items received, prices so much, extended out?

Mr. SIMS. Yes.

The CHAIRMAN. Now, you charged so many different amounts, and so forth?

Mr. SIMS. Yes.

The CHAIRMAN. What you had charged was actually paid?

Mr. SIMS. Yes.

The CHAIRMAN. Somewhere the books must show what was actually paid, and that must come from somewhere. So when you changed your extensions you had a discrepancy between the amounts actually paid and the amounts from your books, did you not?

Mr. SIMS. Yes, sir.

The CHAIRMAN. How was that ever rectified?

Mr. SIMS. Not at all. It could not have been rectified, because no returns were made from the class ledger, and they know nothing whatever of those erasures on the stock ledger; and those amounts were not erased, as they should have been, by voucher, on the class ledger, which makes the return to the bureau; and, therefore, from the returns made to them, they were under the impression that the larger amounts still remained.

The CHAIRMAN. Then your books, with those erasures, will not correspond with any other books in the whole department, will they?

Mr. SIMS. No.

The CHAIRMAN. Where are your books with those erasures?

Mr. SIMS. I presume they are filed away somewhere. We have had two fires at the navy yard, and it is quite possible that the books—along about that time the general store caught fire twice—and it may be that a great many records were destroyed. It is possible they are there yet on file, and those facts can be ascertained from the Bureau of Supplies and Accounts itself by obtaining the amount of the contract as originally put out to these fraudulent parties and the amount deducted. The books up at the bureau should show where those reductions were made in prices of those bids. There was a big stir about it at the time in the department. I do not think it ever went out.

The CHAIRMAN. Will somebody who understands bookkeeping better than I do direct the attention of the witness, by questions, as to where we will get the documentary evidence about those alterations?

Mr. SIMS. As I stated to you, I think, a while ago, a man who was bill clerk at that time and who told me he had prepared and had ready for me for ready reference those bills, when they were bought, has since died. The bill clerk made the bills first. Those bills were destroyed, but he had the numbers of the bills and would furnish me with them when required. But he died a couple of weeks ago, and I do not think the new bill clerk who is there now was there at the time Mr. Bogley made these bills, and he is unfamiliar with the facts in the case, and I do not think he would know how to get at it if he was there. The Bureau of Supplies and Accounts' books and files should show all those transactions.

Mr. BOOHER. How can we ascertain whether those books you erased are in existence?

Mr. SIMS. By inquiry of the general storekeeper.

Mr. BOOHER. The general storekeeper at the navy yard?

Mr. SIMS. Yes, sir. Those books are on file and he could put men to work—every time a storekeeper comes there, which is every three years they succeed each other—each one has a desire to change the system, some for the better and some for the worse.

Mr. BOOHER. For what year must we inquire and for what books, in order to get the books showing those erasures?

Mr. SIMS. I considered this matter as somewhat of a dead thing, as nothing was done at the time, and I kept no record of the year. But it was during the incumbency of Paymaster Carpenter.

Mr. BOOHER. During Paymaster Carpenter's time?

Mr. SIMS. Yes, sir.

Mr. BOOHER. In what portion of his time; the first or the last, would you think?

Mr. SIMS. I think it was, as near as I can guess, about a year after he went there.

Mr. BOOHER. About the second year of his term?

Mr. SIMS. And Pay Director Frailey was in charge of the Navy pay office at that time.

Mr. BOOHER. Mr. Chairman, I would like to have you get the man who has charge of these books to get the book containing the erasures made by Mr. Sims, and also what he called the class ledger, to get the right books.

Mr. MCKINLEY. Mr. Sims, in making these erasures, did you obliterate them or just draw a pen through and put new figures beside or over them? Will both sets of figures show?

Mr. SIMS. On that point I think you will find that they were erased, and the records written over; I am not sure about that, but I am almost certain. But the bills which are on file at the department should show.

The CHAIRMAN. The bills, you say, are still on file?

Mr. SIMS. And they would show, up in the Bureau of Supplies and Accounts, by the bookkeeper there during the whole time. The method of keeping books there has been changed four or five times during my time.

Mr. BOOHER. If we can get those facts and the dates, we can get the bills from the Bureau of Supplies and Accounts.

Mr. SIMS. I should say it was about 1903 that those things were changed. But, so far as I know, the same facilities exist for fraud now in the purchasing department as existed then. But my work has been changed, and I am not posted as to recent transactions.

Mr. BOOHER. I want to get those books and those bills and compare the bills with the books as they now stand.

The CHAIRMAN. You say the books would be 1902, 1903, or 1904?

Mr. SIMS. I think so.

The CHAIRMAN. And the bills are in the Bureau of Supplies now?

Mr. SIMS. I think they are up in the department, sir. I do not know where they are; I have not seen them.

The CHAIRMAN. And the books and bills both ought to be there, the bills showing the original, actual payments, and the books showing the erased, altered statements?

Mr. SIMS. Yes. But it is a matter of public notoriety that the bills down there were changed, and the records up at the Bureau of Supplies and Accounts should show the erasure of those contracts—fraudulent contracts—and the substitution of new ones.

The CHAIRMAN. Who is the man in charge of those bills up in the Bureau of Supplies and Accounts?

Mr. SIMS. The chief bookkeeper, a gentleman by the name of Walley; but I do not think he was at that time.

The CHAIRMAN. But he could find these things for us?

Mr. SIMS. I presume so. Or the civilian assistant to the Assistant Secretary of the Navy Winthrop, who has charge of the navy yard; is Mr. Tucker, who was for a long time the chief clerk up there, and he ought to know where they are.

Mr. MILLER. Could you tell the books if you saw them?

Mr. SIMS. Every book should bear a date. As I suggested, the method of bookkeeping there has been changed so often, and the material furnished the navy yards now is carried in 65 classes, and it would be hard to tell exactly which book they were in without a long research. They were in 32 classes, which were entirely abolished, and now they are in 65 classes.

Mr. MILLER. There is no one who would know any more about it than you, is there?

Mr. SIMS. I do not know. If there is a custodian for those books he ought to know where they are. Those books were removed from our office. What became of them I do not know.

Mr. MILLER. That is, you do not know whether they are retained at the navy yard, or whether they were taken up to the Navy Department?

Mr. SIMS. I would suggest, while you are suggesting the subpoenas to other parties, if the chief clerk of the Ordnance Bureau down there, Mr. Lee, or Mr. Browning, of the Ordnance Office, were sent for, they could tell you about a great many of these charges.

The CHAIRMAN. Do Mr. Lee and Mr. Browning know about these fraudulent accounts?

Mr. SIMS. I think that he does, sir. But the men in my office know that they existed. There are several men who have been transferred, several who have died.

The CHAIRMAN. Who is the man you said just now would know about these things?

Mr. SIMS. Browning, I think, could tell you about the frauds there. But he is in the Ordnance Bureau, and not in the office with me. He is in the Ordnance Office down there.

Mr. MILLER. How would Mr. Lee know about these matters?

Mr. SIMS. Mr. Lee was, at that time, the second clerk, as I call it, in the Ordnance Office, and he is now chief clerk in the Bureau of Ordnance at the navy yard.

The CHAIRMAN. And he knows about these accounts you speak of, does he?

Mr. SIMS. He ought to know. I have never had any conversation with him on the subject, but I have been told by others that he and Browning knew.

Mr. McMORRAN. You spoke of the storekeeper being changed every three years there?

Mr. SIMS. Yes.

Mr. McMORRAN. Was it the custom of the department, when the new storekeeper came in, to check up the material on hand?

Mr. SIMS. No, sir. The only data upon which he could base any knowledge at all were the quarterly returns made by the class ledger to the superior officer.

The CHAIRMAN. You said something about some later matters that might have something to do with the present general storekeeper. There is some item here about the electrical accounts. Do you know anything about a shortage in them, or electrical supplies?

Mr. SIMS. I understood that the electrician for the Yards and Docks Bureau was short about \$8,000; that is, the material which was in possession of the general storekeeper, but belonging to the Bureau of Yards and Docks, was short that amount, which could not

be accounted for. I know they monkeyed with the accounts there for several weeks, trying to get them straightened out, and Capt. Beatty, the commandant of the yard, got after the electrician, and he went to the general storekeeper, and they fixed it up some sort of way.

The CHAIRMAN. Who came down and got after the electrician?

Mr. SIMS. The commandant of the yard.

The CHAIRMAN. There was an \$8,000 shortage. Do you know anything about what that shortage was occasioned by?

Mr. SIMS. That was material in a different department; that is, not a different department, but I mean a different division of the general stores. As I told you, I have charge of the goods manufactured in the ordnance that come under goods in charge of the general storekeeper. But it was in a separate place. I knew nothing about it and did not keep the accounts.

The CHAIRMAN. You do not know anything about that?

Mr. SIMS. No, sir.

The CHAIRMAN. Then I want to ask you this question: How long has it been since there has been a real inventory of the stock on hand down there in that yard?

Mr. SIMS. That I could not tell. There has not been since I have been there, 18 years. But prior to that time a first attempt was made to take an inventory of that under Secretary Whitney, who was prior to my time, and they sent a number of men down there, who seemed to think their principal duty was to sit down and talk to the people and get a little information, and after awhile it was abandoned.

The CHAIRMAN. Was that inventory under Secretary Whitney a complete one?

Mr. SIMS. I do not think there has ever been a complete inventory made of the material in the yard. It has been attempted a number of times.

The CHAIRMAN. But there was never a complete inventory?

Mr. SIMS. No; they were abandoned.

The CHAIRMAN. Do your books show what stock ought to be on hand?

Mr. SIMS. No, sir. I will tell you how that kind of thing came about.

Mr. MCKINLEY. Answer his question. You do show every three months what ought to be on hand?

Mr. SIMS. On the class ledger; not material, though. That is on the stock ledger.

The CHAIRMAN. That class ledger, if correct, ought to be the total amount of material on hand, ought it not?

Mr. SIMS. Yes, sir.

Mr. MILLER. But not specifying the material?

Mr. SIMS. But not specifying the material.

The CHAIRMAN. It is just a general sum of added up amounts?

Mr. SIMS. Yes, sir.

Mr. MILLER. Then, you do not know what your supply is?

Mr. SIMS. No, sir.

Mr. MILLER. Nobody knows?

Mr. SIMS. No, sir.

The CHAIRMAN. What does your class ledger show as the actual amount of stock on hand now?

Mr. SIMS. I think between nine and ten million dollars.

Mr. BOOTH. It ought to be there?

Mr. SIMS. It ought to be there. I do not think it is there, and I will tell you why. My predecessor in office was Mr. Cress, and he told me that under two storekeepers there the work crowded him so that he could not keep up with it, and he had no assistant, and that he was instructed by the general storekeeper, when a bill came in there that he thought was to be used within a short while, not to enter that against the storekeeper on the books, that is, probably would be drawn out; he threw on him discretionary power as to what bills should be entered on that book and what should not, and that it was not expended, and no books on the face of the earth could be kept that way. And he told me hundreds of thousands of dollars of property was brought into the yard and went out. Consequently, when I got hold of the account books B and Mr. Mattingly A., we tried to straighten them out to the best of our ability, but we had two fires there which destroyed a large quantity of goods.

The CHAIRMAN. To make one general statement, then, your statement of stock is not worth the paper it is written on?

Mr. SIMS. That is the way I take it.

The CHAIRMAN. And that has been the conditions for 18 years?

Mr. SIMS. Within my knowledge, for 18 years.

The CHAIRMAN. Have you any way of approximating what stock is on hand? Has anybody ever done anything to get any idea as to what is there?

Mr. SIMS. Yes, sir. Paymaster Merriam is now attempting to take an inventory. This is my opinion—of course, I do not state it as a fact—that the inventory will be as erroneous as the former books were.

The CHAIRMAN. Why?

Mr. SIMS. Because I do not think it is in the power of one man; this man, as I told you, was sent there as a laborer.

The CHAIRMAN. Sent there as what?

Mr. SIMS. As a laborer. I do not think he can take a correct inventory. But he is now doing so, and coming to me for prices that he obtained on the new list he is taking. For instance, he is taking now an account of what 3-inch material there is; that is, material and adjuncts and accessories of 3-inch guns, mounts, ammunition, and all the accompaniments, sponges, and so forth belonging to the 3-inch guns.

The CHAIRMAN. A day laborer is taking that inventory?

Mr. SIMS. Yes.

Mr. McKINLEY. What is his name?

Mr. SIMS. Stephenson.

Mr. McKINLEY. What does he get?

Mr. SIMS. I do not know what he gets now. He came in there at \$2 a day.

Mr. McKINLEY. I went to work at \$8 a month, but I would not work for that now.

Mr. SIMS. No; I guess not.

Mr. MILLER. How long has he been there?

Mr. SIMS. I could not tell you, sir; probably five or six years.

The CHAIRMAN. Frank Stephenson, "St. lab." What does that stand for?

Mr. SIMS. Store laborer.

The CHAIRMAN. Class 2; pay, \$2.50.

Mr. SIMS. He has been promoted two or three times, whenever there was a raise.

The CHAIRMAN. There are Anderson and Stephenson and Marsh.

Mr. SIMS. They are store laborers.

Mr. McKINLEY. Then Mr. Merriam, the present storekeeper, is trying to have an inventory made?

Mr. SIMS. He is attempting to do so, within the last two weeks.

Mr. McKINLEY. And that is the first time it has ever been attempted, so far as you know, during your time?

Mr. SIMS. No. When Mr. Carpenter was there, he had a gunner by the name of Walsh, who spent two years, with assistants, and he probably got 10 per cent correct. But as soon as he struck the heavy articles, such as guns and forgings and castings, and all that sort of material, he balked.

Mr. MILLER. What is the difficulty with taking that inventory?

Mr. SIMS. Because there is a great deal of material scattered all over the yard, new material is constantly coming in, and material on hand is continually being drawn out for use by the Ordnance Office. A man might go to a pile of anything there to-day and count it up, or weigh it up, hundreds of thousands of pounds of various material, and as soon as his back was turned a man would come there and count that and draw material from it, and the next day there would not be, possibly, 2,000 pounds of it.

Mr. MILLER. Would it not be possible for work to stop there for 48 hours and let the head of each department, with the clerks, make an inventory the same as they do in any business?

Mr. SIMS. The only way I see for a correct state of affairs would be for the navy yard to stop, and that is utterly impossible.

Mr. McKINLEY. Why?

Mr. SIMS. You could stop it, I suppose.

Mr. McKINLEY. I think you could stop the whole business and it would not make much difference.

Mr. SIMS. It does have a little that appearance; I agree with you.

The CHAIRMAN. What is the proposition as to some change that is to take place as to yourself? Have they made some intimation to you about a new position for you?

Mr. SIMS. Yes, sir; they want to get me separated from those books, and after a letter I wrote to Paymaster Merriam he is trying to get me away; he thought I knew too much about them, and I attributed it to that more than anything else. I was notified by the chief clerk several months ago, after I wrote Mr. Merriam, in the early part of January, that I would be shifted over to a desk where a man kept the fuel and gas accounts of officers here, which is a simple matter, except that the desk requires a typewriter. I informed the chief clerk that I was not a typewriter, that I had taken an examination as bookkeeper, had had charge of the books, and was far more familiar with the method of conducting them than any other man in the office, and he said, quoting the paymaster: "Well, if you don't know typewriting, you had better learn it, and damned soon, too." I intended to protest to the Secretary of the Navy about it. The man he wanted to put

at my desk said, "I am no bookkeeper. I know nothing about it." He is placing men down there without regard to their qualifications at all, and here two weeks ago he informed me, "Well, Mr. Merriam has decided to move you over there to help Houk." Houk is a messenger, a man unable to take a civil-service examination. He has been mad ever since I wrote him that letter.

Mr. McKINLEY. Did he answer the letter?

Mr. Sims. No, sir; except by a little silence.

(Thereupon, at 12.10 o'clock p. m., the committee adjourned until to-morrow, Thursday, June 15, 1911, at 10.30 o'clock a. m.)

No. 2

HEARINGS

BEFORE THE

COMMITTEE ON EXPENDITURES IN THE
NAVY DEPARTMENT

OF THE

HOUSE OF REPRESENTATIVES

ON

HOUSE RESOLUTION NO. 109

TO INVESTIGATE THE EXPENDITURES IN
THE NAVY DEPARTMENT

JUNE ¹⁵~~14~~, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

EXPENDITURES IN THE NAVY DEPARTMENT.

[Committee room, room 119, House Office Building. Telephone 413. Meets on call.]

RUFUS HARDY, *Chairman*, Texas.
FRANK E. DOREMUS, Michigan.
JOHN M. FAISON, North Carolina.
CHARLES F. BOOHER, Missouri.
WILLIAM B. MCKINLEY, Illinois.
HENRY McMORRAN, Michigan.
CLARENCE B. MILLER, Minnesota.
BEN L. PRINCE, *Clerk*.

II

EXPENDITURES OF THE NAVY DEPARTMENT.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON EXPENDITURES
IN THE NAVY DEPARTMENT,
Thursday, June 15, 1911

The committee met at 10.30 o'clock a. m., Hon. Rufus Hardy (chairman) presiding.

STATEMENT OF HON. GEORGE VON L. MEYER, SECRETARY OF THE NAVY.

The CHAIRMAN. This memorandum was handed to me by the Secretary, and I will read it for the information of the committee. This is a memorandum furnished for the Secretary by Mr. Cowie, Paymaster General, the United States Navy. I will read the memorandum:

[Memorandum for the Secretary of the Navy.]

WASHINGTON, D. C., *June 15, 1911.*

(1) Referring to request from the Committee on Expenditures in the Navy Department for certain information concerning employees in Washington—the list of civil employees has been forwarded to the committee.

(2) The list of retired officers on active duty in Washington, with the increase of pay in each case due to this assignment to active duty, is ready for transmission to the committee.

(3) The list of officers on duty in the Navy Department in Washington during the two periods is in course of preparation and will be completed by about the 24th instant.

(4) These reports have required a great deal of time and research into old records which were on file in the Office of the Auditor for the Navy Department. The list of officers on duty in Washington had to be prepared by the Bureau of Navigation, and each officer's pay account had to be found in the pay roll for each quarter during the periods specified. The work has progressed as rapidly as possible. As many men have been assigned to this duty as could work on the rolls without interfering with each other.

T. J. COWIE,
Paymaster General, U. S. Navy.

[Memorandum for the Secretary of the Navy.]

NAVY DEPARTMENT,
BUREAU OF SUPPLIES AND ACCOUNTS,
Washington, D. C., June 15, 1911.

Statement showing the increase of the active pay and allowances drawn by the retired officers on duty in Washington, D. C., over the retired pay which they would have drawn had they not been assigned to active duty.

Fiscal year—

1907.....	\$29, 166. 33	
1908.....	35, 251. 14	
1909.....	38, 154. 67	\$102, 572. 14
1910.....	27, 481. 47	
1911.....	15, 352. 39	42, 833. 86
Total.....		145, 406. 00

F. J. COWIE,
Paymaster General, United States Navy.

I think that is perfectly satisfactory to the committee. We understand, of course, that it will require considerable time perhaps to furnish the list referred to in the memorandum.

Now, yesterday we concluded that we wanted the Secretary of the Navy to appear before the committee, and of course we are satisfied that we will have the concurrence of the Secretary in investigating anything that is worthy of investigation, but we wanted to confer with you, Mr. Secretary, about the desirability of your issuing an order to the employees in your department to appear upon call before this committee to give testimony, and also to furnish such documents as may be required.

Secretary MEYER. I will be glad to do so.

The CHAIRMAN. I was sure of that.

Secretary MEYER. I am striving for a business administration, and have adopted many methods of economy, but bearing in mind always that the main thing with us is military efficiency.

The CHAIRMAN. I do not think there is any employee in the Navy Department that fears any consequences from the Secretary of the Navy for his appearing here, but in a vast department like yours there are those who are higher and lower in authority. Now, it is human nature for one of these employees in giving testimony to criticize or subject to criticism some of those who are above him.

Secretary MEYER. Well, no man could be dismissed without coming to the Secretary.

The CHAIRMAN. But could he not be transferred to other bureaus, or reduced in the service?

Secretary MEYER. The particular case I looked up yesterday was that of Lucas, and that case had to go up to Mr. Winthrop, Assistant Secretary of the Navy, who has charge of labor, the Marine Corps and accounts. These are under Mr. Winthrop, subject of course to the Secretary of the Navy, but what took place in the case of Lucas, I understand, was before he came up here.

The CHAIRMAN. Yes, sir.

Secretary MEYER. There will be no action taken against any clerk or employee for telling the truth.

The CHAIRMAN. Well, now, it was a question with me whether an order or direction might be given by you, giving some assurance to these men that so far as you are able to prevent it, they would suffer no consequences.

Secretary MEYER. That is a question I would like to consider. That would rather imply at the outset a criticism of my predecessors in office. I do not want to word an order in such form as to be open to that criticism, but I will issue one in some form.

The CHAIRMAN. We do not know whether that would be liable to the interpretation that it was a reflection on anybody.

Secretary MEYER. I will take into consideration how it shall be worded.

The CHAIRMAN. I want them to be assured that they will have your moral support if they should criticize a superior.

Secretary MEYER. Criticism is a word of broad meaning. You know, we are a military department, and I think I should take exception to that word. For instance, if we are following a definite policy, and if, in formulating it, we have given it due consideration and have gotten expert advice on it and the President's approval, I should not encourage some subordinate, who thinks he knows

better, to criticize the policy which has been duly adopted. I doubt if that would lead to good administration.

The CHAIRMAN. Let me make this suggestion to you: For an employee to be out in the public making criticisms and writing to the newspapers, I know that your position is eminently correct as to that, but one of the duties of this committee is to investigate expenditures, methods, and systems, and to make suggestions for improvements, or to criticize any improper methods, and if we should call an employee before us to ask him questions I do not mean that he should be permitted to indulge in improper criticisms.

Secretary MEYER. What I want to do is to help the committee in every possible way, and I do not want anything held back from the committee, but, of course, I should not encourage the clerks and employees to make criticisms. I think that would bring bad administration. I mean a subordinate putting himself on record as knowing better than his superior on the subject of a policy that has been definitely settled. He should, of course, answer any questions of the committee to the best of his ability as to facts or other details.

The CHAIRMAN. Perhaps I can better illustrate what I mean by criticism by referring to the Garfield Committee that was considering a new system of bookkeeping in the Interior Department some years ago. In our investigation of the expenditures in the Interior Department we had a number of employees before us, and this was one of the principal questions before us, that is, whether the new system or the old system of keeping accounts was the better one, and we called very freely on expert witnesses who had been in the service a long time to know what their criticism might be of the new service as well as of the old system. I do not know of anything wrong in that.

Secretary MEYER. If he should give his opinion in answer to a question, that I would take no exception to. For instance, if I may be permitted to cite a case, I have seen the statement of Mr. Lucas in the hearing before this committee. I did not have time to read it all through, or even to read carefully what I did read, but I noticed that Mr. Lucas complained that it had been stated that he was inefficient, and he stated that he had served for 13 years and had been able to do satisfactory bookkeeping. Now, as a matter of fact, I found that under the old system of bookkeeping and the system of keeping store accounts and supplies I could not get a trial balance. I found that they had seven store accounts where they should have had but one, and I could not get at the cost or make a comparison of the costs as between one yard and another.

Therefore, I had to get expert accountants, and we worked out a system, an up-to-date, modern method of keeping books, so that we can now get at the cost and can furnish a trial balance regularly. We can now get at expenditures and can inform the bureaus where they stand on all their appropriations. In addition to that, we have consolidated all of the stores into one store account, thereby liberating storerooms. At the same time we released a good deal of money which was also tied up in the duplication of stores. We have found that we can greatly simplify the method of keeping the stores. I went before Congress and asked them to allow me to abolish the naval supply fund and keep the naval supply account with the stores all in one account. They granted this, and we then started on the new method of keeping books. The result of that was that we were able

to liquidate the naval supply fund and abolish it with the consent of Congress, and turn into the Treasury \$2,700,000. Now, we found that in keeping our books under the new system that some of the men had gotten into ruts, or were inefficient. We found some of these employees willing to learn, and some of them did learn, while others could not learn. The result was that in some instances employees were reduced in pay and a few resigned, but these were rare instances. We were able in most cases to find work for them which they were capable of doing. But the mere fact that Mr. Lucas was able to do the work under the old system was no criterion of his ability to do it under the present system. Of course I did not know of his inefficiency, but I had it looked up yesterday.

The CHAIRMAN. The committee would be glad to have any suggestions or statements that you may desire to make, Mr. Secretary.

Secretary MEYER. I came here without having any definite line of thought beyond having looked up this Lucas case. A good deal of thought has been given by the Paymaster General to the establishment of this new system of bookkeeping by means of which we are getting at the cost in each branch of the service. To give you a specific case: The repairs were commenced on the *Colorado* at Puget Sound on January 7, and owing to this new system of bookkeeping, it was possible for me to obtain on June 8, a statement of all moneys expended in these repairs to and including May 31. I consider this a pretty good record, as it requires five days for the mail from Puget Sound to Washington. This information could not have been obtained under the old system. If the committee will ask me any questions perhaps I could proceed better that way. You gentlemen have something probably in mind that I have not, and nothing occurs to me now. I do not know whether you want to go into the Lucas matter to any extent.

Mr. MILLER. I think that arose incidentally, and I do not think any member of the committee cared for that at all, but we are interested, at least I am, in the system of bookkeeping as now established, and I would like to hear the Secretary state what changes have been made down there.

The CHAIRMAN. Before going into that, I would like to ask one preliminary question; that is, I would like to ask you whether or not there has ever been an inventory in recent years—that is, a complete and satisfactory inventory—of the stock on hand at the navy yards?

Secretary MEYER. I would suggest that you send for the Paymaster General to give that information, and he could give it definitely.

The CHAIRMAN. What is his name?

Secretary MEYER. He is Paymaster General Cowie.

The CHAIRMAN. Before going into that other matter, you have brought for us certain papers, and I would like for you to state briefly the result of your investigation of the Lucas complaint.

Secretary MEYER. I have given very little time to it. This is a memorandum from Paymaster General Cowie, from which I will read:

[Memorandum for the Secretary of the Navy, in re hearing No. 1 of Mr. J. W. Lucas before the Committee on Expenditures in the Navy Department.]

WASHINGTON, D. C., June 14, 1911.

I am informed verbally by Paymaster J. H. Merriam, United States Navy, general storekeeper of the navy yard, Washington, D. C., that Mr. Lucas was disrated from bookkeeper at \$3.84 per diem to special laborer (clerk) at \$2.48 per diem (department's

order 3087 of Apr. 27, 1911). This reduction was based on inefficiency, owing to either inability to perform the work assigned or his lack of interest in the position. He was late in getting returns ready for transmission to the Bureau of Supplies and Accounts and his books were badly kept, being inaccurate. Copies of letters in regard to the demoting of Mr. Lucas are attached.

Referring to the hearing, bottom of page 3:

"Mr. Lucas. I was employed as a bookkeeper in charge of the balance sheet work * * *".

The lack of care taken by Mr. Lucas in keeping the books assigned him and in the preparation of the returns is clearly shown by the following errors taken at random from the returns after their receipt in the Bureau of Supplies and Accounts.

Third quarter, 1909.—A transfer from account (b) to account (a) was not taken up in account (a), but was expended in account (b) and retaken up in account (b) without any reason for doing so. (Value, \$100,703.03.)

In addition to the above error another discrepancy upon the account (b) balance sheet was shown in the amount reported as on hand January 1, 1909, same being \$1 less than the amount shown on the previous account (b) balance sheet as on hand December 31, 1908.

The balance shown as on hand in account (e) on January 1, 1909, was \$20 less than was shown as on hand on December 31, 1908, by the previous balance sheet.

Fourth quarter, 1909.—In account (b), returned material to the value of \$88 was not accounted for on the balance sheet, though the evidence of same appeared upon the summaries of stub requisition.

In account (e), returned material to the value of \$9,561.40 was ignored in the same manner.

Second quarter, 1910.—In account (b) there was inclosed a survey invoice, the original value being \$2,449.50, and the appraised value \$27.50. The original value was expended from the balance sheet, but instead of taking up the appraised value, the original value was taken up, thereby showing the difference (\$2,422) more as on hand than should have been.

Third quarter, 1910.—The balance on hand in account (b) on January 1, 1910, should have been shown as \$2,449.50 less than as on hand December 31, 1909, by the previous balance sheet on account of the error noted in the third paragraph, but this balance was still further augmented by adding the full original value of the invoice upon which the error was found, thereby making an error of \$4,871.50. (See second quarter, 1910.)

In account (a) there was an expenditure to the U. S. S. *Salem* amounting to \$135.66, as shown by the voucher which was expended from the balance sheet at \$315. Also a survey invoice, amounting to \$166.54, which was expended at \$116.54.

Second quarter, 1911.—In naval supply account (a) there was taken up a voucher from the Naval Observatory. The value shown upon this invoice was \$75.68, but the value taken up was only \$72.68.

Referring to page 4 of the hearing:

"Mr. Lucas. * * * Then the present storekeeper proceeded to change the system of work to a system that suited his fancy." * * *

Many changes have had to be made in the storekeeping system at navy yards in order to comply with the law establishing the naval supply account, and also to meet the requirements caused by the installation of the cost-accounting system and the growth of the Navy.

Referring to the hearing, bottom of page 4:

"Mr. Lucas. * * * The whole system down there was changed; the present general storekeeper went in and changed the system no matter whether it suited the work of the office or not. He changed, but I do not know about his authority."

The bureau is continually issuing instructions to general storekeepers and they are expected to take the necessary steps to see that the instructions are carried out. It is therefore apparent that the general storekeeper was acting with full authority.

Mr. Lucas's statement on page 5, middle:

"The general storekeeper has changed the system of books down there by making all the men who issue material on stub requisition to make daily receipts and expenditures, thereby doubling the work of the office; by having the store laborer and a carpenter keep books; by pricing the stub requisitions * * *."

It is a well-founded business principle that whenever the conditions are such that a daily balance can be obtained that it should be done.

The system of storekeeping now in force is such that it is more economical to have the store men price the stubs before transmission to the general storekeeper's main office, where the pricing is verified. In this connection it is to be noted that the store men are part of the storekeeper's force.

The CHAIRMAN. The storekeeper's force there is what Lucas calls laborers?

Secretary MEYER. Yes, sir; and they are allowed to put the price on the stub.

The CHAIRMAN. And under the old system they simply checked the items and did not go to the extent of putting on the price?

Secretary MEYER. His idea was that they should not do anything except to carry out what was on the stub. Now, this is in addition, as I understand it, and they are now required to put on the price.

The CHAIRMAN. The statement here was that he was putting the price on these items and keeping a sort of memorandum.

Secretary MEYER. I can not say. I will continue to read from this memorandum:

Mr. Lucas's statement on page 6, near top:

"* * * Where the stub is issued for lumber, the man to whom the lumber is issued has to price the card."

This statement is entirely in error.

On the bottom of page 9 and the top of page 10 of the hearing it is intimated that Paymaster Merriam obtained lumber for the building of a motor boat. I am informed by Paymaster Merriam that the boat in question was built a year or more before it was brought to the yard and that it needed some slight repairs. The records of this bureau show that he applied to the commandant for permission to have the work done by the yard and made a deposit by check of \$20 to cover the cost of labor and material. The official report shows that the work was completed for the sum of \$18.44. I am further informed by Paymaster Merriam that all labor and material used in making the repairs were charged to the work.

On page 10 of the hearing (near middle) Mr. Lucas states that Paymaster Merriam has George Lawrie look out for his automobile and motor boat. Paymaster Merriam informs me that he employs George Lawrie outside of Government working hours to take care of his boat and automobile, but has never authorized him to do any work on them during hours.

The CHAIRMAN. The statement you saw was that George Lawrie was on the pay rolls, but did practically nothing for the Government.

Secretary MEYER. Of course, I know nothing of that. That has not been called to my attention. This statement I have been reading from is a signed statement from the Paymaster General in answer to my having sent the hearing down to him. His statement continues:

Page 11, near top, reference is made to an automobile owned by Paymaster Merriam and work being done on it.

The records of the bureau show that Paymaster Merriam obtained permission to have his automobile repaired and he made a deposit of \$32.94 to cover the cost of the repairs. The work was completed for \$30.78.

On page 11 of the hearing, Mr. Lucas states that there was a deficiency of some \$8,000 in some electrical material. I am informed that this material was stored in a building under the supervision of Mr. Morningstar, owing to the lack of proper storage facilities in the storehouse. From time to time during the year, these stores were used for work for various appropriations, but there was a failure to put through stub requisitions to cover. A record, however, was kept and the appropriations have been charged properly with the actual amount which was used in work chargeable to them.

Mr. Lucas's inefficiency is clearly demonstrated by his answers to the various questions of the chairman and other members of the committee, in regard to stub requisitions and other requisitions for material. Mr. Lucas, in his 13 years' experience at the Washington Navy Yard, certainly should have obtained a better knowledge of the methods of handling and use of these requisitions.

T. J. COWIE.

Now, I will say in reference to automobiles down at the navy yard, I have another memorandum here in reference to that. This is a

message from the commandant of the navy yard in response to a phone message from the Paymaster General:

[Phone message from commandant navy yard, Washington, for Paymaster General.]

WASHINGTON, D. C., *June 15, 1911.*

Repairs have been made on automobiles for officers attached to this yard upon a deposit being made to cover all direct and overhead charges. This has been allowed by the commandant, as such officers were not regarded as outside parties in the meaning of the Navy Regulations; also, that the machines of such officers are frequently used to transact and expedite Government business.

F. E. BEATTY.

The CHAIRMAN. This is a general statement, and does not touch this particular case?

Secretary MEYER. No, sir; I merely wanted to know what the abuses were, if there were any, and the situation in regard to automobiles when they break down or have some accident requiring repairs.

The CHAIRMAN. I think it right to say, Mr. Secretary, whether the hearing discloses exactly that feature or not, there is an intimation that the general storekeeper down there has utilized the labor of employees and the material of the Government in the building of this motor boat and in work on his automobile, far in excess of the deposit made by him, and that may become the subject matter of some investigation by the committee.

Secretary MEYER. I want to assure the committee that they will have every opportunity to secure all information desired. Now, the Navy regulation on this subject is as follows:

Article 926, paragraph 3, United States Navy Regulations, states as follows:

"No work shall be done by the Government force at a navy yard or station for private individuals or corporations, except by authority of the Secretary of the Navy upon an application specifying the nature of the work to be done and accompanied by a certificate from the commandant that the necessary labor or appliances can not be procured in the vicinity from private contractors."

That regulation also applies to work on ships in harbors; that is to say, when a ship requires to be docked, the policy is that we do not allow our docks to be used if there is any private dock that can be used. If there is no private dock that can be used, or if the vessel can not be moved to some other port, then it is the custom for the Government to allow its dock to be used, and to charge for the service the same price that is charged by the private dock companies.

The CHAIRMAN. That is, for an outsider?

Secretary MEYER. Yes, sir.

The CHAIRMAN. But, do I understand that any of the officers having some work to do in cases of this sort can have it done by paying the actual cost?

Secretary MEYER. No officer ever owned a yacht that would require docking; his salary would insure him against that. This motor boat in question, I understand, was bought and owned by the paymaster before he came to the yard. I do not know the dimensions of it even. As you know, a motor can be put in a little dory.

The CHAIRMAN. What was Mr. Merriam's position before he became general storekeeper?

Secretary MEYER. I do not know; the Paymaster General can tell you. I would have to refer to the records for that information. I think he was at one time on the battleship *Kansas*.

The CHAIRMAN. That was the intimation I had.

Secretary MEYER. But I do not want to state that as a fact without referring to the records, whether he had a position between the time he was on the battleship *Kansas* and the time he became general storekeeper. Upon detachment from the *Kansas* he was assigned to duty as general storekeeper, navy yard, Washington, D. C.

The CHAIRMAN. That is the memorandum you have prepared. Is there anything further you wish to say with reference to that hearing we had the other day?

Secretary MEYER. As I said, I only saw it yesterday. I found that Mr. Lucas's reduction was approved by Mr. Winthrop, after having been duly considered. That is all I have to say on that. I have here the record of J. B. Sims, special laborer bookkeeper, which I will read to the committee:

RECORD OF J. B. SIMS, SPECIAL LABORER BOOKKEEPER, NAVY YARD, WASHINGTON, D. C.

Fourth quarter, 1902.—Given 90 days on probation for being under the influence of a drug or intoxicant.

Fourth quarter, 1910.—Was dismissed for being under the influence of liquor, but later was reinstated and suspended from May 3 to 31, 1910, with the understanding that if he was again found under the influence of drugs or intoxicating liquor, he would be dismissed.

This is all I have on that subject.

The CHAIRMAN. That was in May, 1910?

Secretary MEYER. The fourth quarter of 1910. That would be the last quarter of the fiscal year 1910.

Mr. MILLER. Does that indicate whether he was found under the influence of intoxicants or a drug while on duty?

Secretary MEYER. That is all I have.

The CHAIRMAN. We had Mr. Sims before us with reference to that matter. I understand that the charge was made but was not sustained. Is that his statement?

Mr. MILLER. I do not think Mr. Sims referred to that. Mr. Lucas volunteered a statement about that.

Mr. BOOHER. Is that statement taken from the records?

Secretary MEYER. Yes, sir; it came to me from an official.

The CHAIRMAN. That is, it is what it implies on its face, a record?

Secretary MEYER. Yes, sir; it was sent up with the other papers, signed by the Paymaster General.

The CHAIRMAN. Does that embrace all the memoranda you have collected in reference to that matter?

Secretary MEYER. Yes, sir.

The CHAIRMAN. And these documents will be left with us?

Secretary MEYER. Yes, sir; but I would like for the stenographer to return them to me.

As I said, when talking to you informally, when I found that I could not get a trial balance; when I found that we could not compare the cost of things made in one navy yard with those made in another; and when I further found that the fund known as the naval supply fund, which was a fund authorized by Congress at

different periods, and was limited to \$2,700,000, stood on the books at something like \$12,000,000, it was then that I called for expert accountants and put them in the department.

The CHAIRMAN. When was that?

Secretary MEYER. A year ago this last winter.

The CHAIRMAN. Please explain to us what you mean by the supply fund standing on the books at \$12,000,000.

Secretary MEYER. Well, that is quite a complicated matter, and it requires a great deal of thought and study to grasp it at once. Therefore, it may not be fully understood, and please do not hesitate to ask me questions about it.

The CHAIRMAN. We want to understand what you mean by not being able to get a balance.

Secretary MEYER. That does not require any explanation. The Paymaster General could not furnish me with a trial balance.

The CHAIRMAN. You mean that the receipts and disbursements could not be balanced?

Secretary MEYER. That term is quite universal. A trial balance is to show the condition of the books and accounts and is required in business.

Mr. DOREMUS. Do you mean that it was not attempted?

Secretary MEYER. It was impossible to draw off a trial balance.

Mr. DOREMUS. They made no attempt, then, to draw up a trial balance?

Secretary MEYER. They could not do it.

The CHAIRMAN. Did they have a double-entry system?

Secretary MEYER. They may have had, but not in such a way as to enable them to draw a trial balance.

Mr. BOOHER. How long has that been the situation?

Secretary MEYER. All the time.

Mr. BOOHER. Do you get trial balances now?

Secretary MEYER. Yes, sir.

The CHAIRMAN. Now, I would like for you to explain about that \$12,000,000 in the naval supply fund.

Secretary MEYER. Congress authorized a naval supply fund. The first authorization was \$200,000, and then it was increased by several acts until it was \$2,700,000. Later on, the Paymaster General asked to have that fund increased in value, which Congress refused to do.

Mr. MILLER. Does that mean a fund to purchase supplies for the navy yard?

Secretary MEYER. The naval supply fund was a fund which could be used for buying supplies, but under the form of the fund, and the way it was established, anything taken out of it had to be paid for, so that it could never be reduced. Suppose, for instance, they required some ordnance to the extent of \$200,000; suppose the Ordnance Bureau wanted it for some vessel; they could take it out of the naval supply fund, paying it back instantly from some appropriation. It was a supply fund by itself—

Mr. BOOHER (interposing). So it is maintained at all times by what is appropriated?

Secretary MEYER. Anything that went into the naval supply fund could not be taken out without paying it back. There was no question in anybody's mind about that.

The CHAIRMAN. But it was charged with what was paid into it, and it stood on the books the same as though nothing had gone out?

Secretary MEYER. The law having been established, and the law being so worded, when anything was put in that supply fund it could not be taken out again without being charged to an appropriation and the fund reimbursed. Now, we had common stores to the extent of perhaps \$75,000,000, covering ordnance and everything——

The CHAIRMAN (interposing). In your department?

Secretary MEYER. Yes, sir; that is it in round figures; and common stores were credited to the naval supply fund from time to time, until the naval supply fund had come to be over \$12,000,000. When it became over \$12,000,000, it happened to come to my attention, and on looking up the law on the subject I found it should be limited to \$2,700,000. I at once raised the point with the then Paymaster General. The Paymaster General informed me that he had the opinion of the Judge Advocate General on that, and that he considered that opinion sufficient in the premises. I told him that I did not think it was sufficient and that I would call on the Attorney General for an opinion on that, at the same time informing him that if he wanted to file any briefs with me in regard to it or with the Attorney General, he should be at liberty to do so. The Paymaster General filed his brief, but the Attorney General made a ruling that anything in that fund above \$2,700,000 was an illegal credit to the naval supply fund.

The CHAIRMAN. A credit or charge?

Secretary MEYER. A credit. They took this out of common stores. Common stores were supplies that had been acquired by being bought either through annual appropriations or having been paid for originally and put on some ship, and coming back when the ship was dismantled or put out of commission and put back in the common stores account. Now you can readily see what the effect was; the common stores, having been paid for once, could not under the law be paid for again. You know we are going into a pretty deep subject.

The CHAIRMAN. Well, we must be students of the situation.

Secretary MEYER. It has been settled by Congress.

Mr. DOREMUS. It was really nothing but a sort of bookkeeping?

Secretary MEYER. It was more than that because it brought up this issue. It forced things to be paid for again, if it came out of the naval supply fund, and that made us pay for things twice.

Mr. DOREMUS. That was a credit of approximately \$10,000,000 more than it should have been?

Secretary MEYER. Yes, sir; there was no dishonesty in the thing, but at the same time it involved something more than bookkeeping; it involved paying for things a second time, and therefore we were not getting at the real cost.

The CHAIRMAN. But the Government was not out of any more money?

Secretary MEYER. For the time being it was, until all the common stores were used up; anything that had been paid for to the extent of the difference between \$2,700,000 and \$12,000,000 was going to be paid over again without any credit being given to the appropriation that made the purchase.

The CHAIRMAN. But it was put in another branch of the account?

Secretary MEYER. Yes, sir; suppose an anchor or a gun had been put in common stores, and was afterwards put in the naval supply

fund; if it came from the naval supply fund they had to charge for it, although some appropriation for a previous year had already paid for it.

Mr. DOREMUS. And some other account was continually suffering?

Secretary MEYER. Yes, sir; but now the whole system has been changed.

The CHAIRMAN. I want to understand it myself. I understand that when the common stores would turn over a gun to the naval supply fund, if a ship wanted it from the naval supply fund, they would have to pay for it, and the naval supply fund would accumulate the price of that gun?

Secretary MEYER. yes, sir.

The CHAIRMAN. But they paid for it at some time?

Secretary MEYER. No, sir; because of being transferred into the naval supply fund. If it had been left to common stores, it could have been put on another ship, and not been charged over again, but, being taken from the naval supply fund, it was charged over again.

The CHAIRMAN. It seems to me that if the naval supply fund was received from the Government, and then when they let those supplies out, or when any department made a request for them, and they let the supplies out to some other department, that other department had to pay for it, and, as a matter of fact, that they would never lose anything that went in there, and they should have the \$12,000,000 on hand if they never let anything out without the money.

Secretary MEYER. But there are two settlements, and anything taken from common stores must not be paid for over again. That was statutory.

The CHAIRMAN. I see where it would have that effect if you transferred it again to the naval supply fund. The point to me is this, if the naval supply fund received stores, and subsequently operated so that they never let anything out except upon actual payment, they would be constantly increasing their money or supplies, or anything that the books would show.

Secretary MEYER. Yes, sir; but the point was this, that they had increased that fund from \$2,700,000 to \$12,000,000.

The CHAIRMAN. But, as an actual fact, they ought to have had that \$12,000,000 there.

Secretary MEYER. Where would you limit it?

The CHAIRMAN. As a matter of law, I would have limited it, but this has a bookkeeping character.

Secretary MEYER. Yes, sir; but when I went there, I said I was going to run the department according to the statutory laws.

Mr. McMORRAN. I understand that since you have taken charge of the department you have adopted a new method of arriving at trial balances?

Secretary MEYER. We did not have any method—

Mr. McMORRAN (interposing). Or a method by which you could get a trial balance. Then what method have you adopted to verify the trial balance?

Secretary MEYER. That is a little technical. I will ask the Paymaster General to go into that with you.

Mr. McMORRAN. How could you get a trial balance if the system you have stated is in operation, without crediting these supplies? They must credit it somewhere?

Secretary MEYER. I will explain that in part——

Mr. McMORRAN (interposing). You say that you take them out of one account and put them into another?

Secretary MEYER. Well, you are getting the naval supply fund mixed up with the trial balance.

Mr. McMORRAN. I want to know what you would do in order to get a trial balance if these articles are credited twice?

Secretary MEYER. I will explain that. As I say, the whole thing is quite complicated, and I have never seen anyone who understood it the first time it was presented to him.

Mr. McMORRAN. My idea of a trial balance is that the figures on both sides of the book should be equal, and that these different items on both sides of the book should be verified. If there is a liability or certain obligations, that should be shown; we should know what they are for, and if there proves to be more stock on hand than the trial balance shows it should be credited to some account. If it is not credited to some account how can you make a trial balance?

Secretary MEYER. We make our trial balances, and the credits are made properly.

In order to get out of this naval-supply-fund snarl I went to Congress, but first put in expert accountants. The first process was to liquidate our stores and supplies in such a manner as to get our books on a legal basis, which we finally accomplished. We had authority from Congress to liquidate our supplies, and got the naval supply fund to a basis of \$2,700,000, which was the legal limit, and finally to abolish the naval supply fund by putting the stores into one account. I asked to have that account known as the property account, but some one on the committee suggested that it be known as the naval supply account.

I regretted that at the time, because I thought it might create some confusion with the old naval supply fund, but they insisted in the Senate on having it called the naval supply account. Now, all stores are in one naval supply account. Since the 1st of July, 1910, all stores have been in the naval supply account, and it was provided by law that anything taken from the naval supply account should be paid for from the proper appropriation. That is done by making a requisition and upon issue charging the proper appropriation. Under that system the bureaus do not pay for things until they are required, and things are not charged except as taken during the year. Furthermore, we found that at the end of the year they used to expend the appropriation in acquiring stores that were not necessary rather than permit the appropriation to go back into the Treasury, and in that way stores were accumulated. Now, under the present system practically all stores (except those exempted by the deficiency act of June 25, 1910), are purchased under general account of advances, naval supply account, and are not paid for by the appropriations until actually drawn for use. The naval supply fund was abolished on a recommendation of the department, and we refunded or turned into the Treasury the naval supply fund of \$2,700,000.

The CHAIRMAN. What did that refunding or turning into the Treasury of \$2,700,000 amount to; no cash was turned back, was there?

Secretary MEYER. It amounted to the same thing as if I had a credit of \$2,700,000 at the Riggs National Bank and turned it over to you for your use instead of my own.

The CHAIRMAN. That credit in this case was simply an authorization by the Government to expend the money, and it was not yet expended.

Secretary MEYER. But the Navy might have obligated it at any moment. We liberated the credit of \$2,700,000. I received a letter from the Treasurer, and a copy of it can be sent here, showing that we turned in \$2,700,000.

The CHAIRMAN. I wish you would send us a copy of that letter.

Secretary MEYER. I will do so.

TREASURY DEPARTMENT,
December 14, 1910.

The SECRETARY OF THE NAVY.

SIR: Referring to the inquiries from the Navy Department by telephone relative to the condition of the naval supply fund on the books of the Treasury, I have the honor to advise you as follows:

On December 13 you were verbally advised that the credit balance in the fund was \$378,480.86. Subsequent settlements included in the work of December 13 augmented this credit to \$383,658.39; and by adjustment settlements received from the Auditor for the Navy Department this morning carrying credits for the fund in the sums of \$2,459,602.71 and \$433,137.25, respectively, a total credit balance is now shown for the fund of \$3,276,398.35.

Further adjustments by the auditor to be made in final examination and settlement of paymasters' accounts should reduce this balance to the sum authorized by law for its credit, namely, \$2,700,000.

Respectfully,

FRANKLIN MACVEAGH, *Secretary.*

THE SECRETARY OF THE TREASURY,
Washington, January 10, 1911.

DEAR MR. SECRETARY: I hand you herewith a memorandum prepared by the Comptroller of the Treasury, at your request, in reply to your letter of January 9 regarding the naval supply fund.

Sincerely, yours,

FRANKLIN MACVEAGH.

HON. GEORGE VON L. MEYER,
Secretary of the Navy.

[Memorandum for the Secretary of the Treasury.]

TREASURY DEPARTMENT,
Washington, January 10, 1911.

The Secretary of the Navy asks the following questions:

"The amount of credit which will be withdrawn from the Navy Department if Congress should abolish the naval supply fund, now fixed by law at \$2,700,000; or, in other words, the amount the Navy Department is turning over to the Treasury by the abolition of that fund."

The naval supply fund, about which these questions are asked, as to what would be the effect of its abolishment or repeal by Congress, first came into existence in 1893, and its purpose was to establish a working capital, which was to be replenished by reimbursements from the separate naval appropriations which received the benefits of the supplies furnished them and paid for from this supply fund.

This fund is the result of several acts of Congress authorizing parts of other naval appropriations to be credited to it, amounting in all to \$2,700,000. The effect of all these acts was to raise on the books of the Treasury an appropriation called the "Naval supply fund" in the said sum of \$2,700,000, upon which the Secretary of the Navy, so long as the law is in force, may draw for its full amount; but when any expenditure is made by him from such fund, it must ultimately be reimbursed to said fund from the separate appropriations for the Navy to whose particular benefit such expenditures are made. These reimbursements are effected by crediting on the books of the Treasury the amounts so expended and actually paid out of this supply fund to its credit and charging said amounts to the separate naval appropriations receiv-

ing the benefits of such expenditures. The net result of these charges and credits is to keep the naval supply fund intact and to decrease the several naval appropriations in the exact amounts with which the naval supply fund is augmented by such reimbursements or credits. It would, therefore, follow that if the fund is abolished, the Secretary of the Navy will have withdrawn a credit of \$2,700,000, which he now has to draw upon to purchase supplies for the Navy, but if purchased under the law must be reimbursed from other naval appropriations.

I do not feel like closing this memorandum without congratulating the Secretary of the Navy upon his efforts to have this naval supply fund abolished by law. By its very nature it is subject to abuse and conduces to the accumulation of large and comparatively useless amounts of supplies. This grows out of the fact that it may be turned over many times in a year and reimbursed out of appropriations for other years. Such must have been the mode of procedure under which it was operated in order to the accumulation of the value of supplies which, it is said, was on hand and not issued when the Secretary gave his attention to its repeal. I am satisfied that its repeal will work a saving to the Government in the next few years to an amount much greater than the amount of the fund. Its operation presents another case of purchases made on credit when pay day can be postponed to some indefinite time.

R. J. TRACEWELL,
Comptroller of the Treasury.

Secretary MEYER. I want the committee to understand this transaction. To illustrate: If I had a credit at a bank for a certain amount of money and assigned it——

The CHAIRMAN (interposing). But it seems to me if I had a letter of credit for \$2,700, and notified the proper officials that I would not utilize that, because I found that convenience required me to use it in some other way, and I returned that letter of credit and asked them to give me one in another form, that would simply be a book-keeping transfer.

Secretary MEYER. But we have not done that, because we liquidated the funds of that \$2,700,000 fund with money——

The CHAIRMAN. But you have another fund for the same purpose?

Secretary MEYER. The naval supply account is made up of all stores. Now, the naval supply fund was, to the extent of \$2,700,000, created by act of Congress from certain other funds—one of them was the Spanish War fund—which altogether amounted to \$2,700,000, and when I looked into it I found that the \$2,700,000 was chiefly in stores. We liquidated it and put it into actual cash.

The CHAIRMAN. You mean that you sold these stores?

Secretary MEYER. Yes, sir.

Mr. BOOHER. To outside parties?

Secretary MEYER. No, indeed; to the Navy; and it was paid for by the appropriations.

Mr. BOOHER. In other words, one bureau sold to another bureau?

Secretary MEYER. Under the law, a bureau that took anything from the naval supply fund had to pay cash from its appropriations for it. They could not have it unless they had the money to pay for it.

The CHAIRMAN. Is there any printed information on this subject?

Secretary MEYER. I have explained it in my hearings before the Committee on Naval Affairs, and I will cite you that, because there I went into the details. I have never run across any person who fully understood it the first time. I did not understand it myself until I had ground it out.

(See hearings before Committee on Naval Affairs of the House of Representatives on estimates submitted by the Secretary of the Navy,

1911, pp. 141 to 169, inclusive; 303 to 313, inclusive; 453 and 454, and 503 to 508, inclusive.)

Mr. DOREMUS. As I understand it, the effect of the Secretary's action was to withdraw from the control of the Navy Department this credit for \$2,700,000.

Secretary MEYER. But we had actually realized the cash, and turned into the Treasury \$2,700,000.

Mr. BOOHER. I think I understand it.

Secretary MEYER. I will refer you to the hearings before the Committee on Naval Affairs.

Mr. DOREMUS. I was going to ask you if under this new system which has been installed down there, there is a record which shows in detail the total amount of material and supplies on hand in the yard?

Secretary MEYER. Yes, sir; we have that in the yard.

Mr. DOREMUS. For instance, if there were a million feet of lumber in the yard, there is a property schedule which shows the existence of that million feet of lumber in the yard, and for all the different items of material in the yard?

Secretary MEYER. Yes, sir; but you could get much more information in regard to these details from the Paymaster General. It would be impossible for me to give it.

The CHAIRMAN. Right on that point, while Mr. Doremus is asking the question, I will include this in his question: We have an intimation that the books show supplies and stock on hand there of about \$10,000,000 in this yard, and that there is really no knowledge of how much stock there is on hand.

Secretary MEYER. Well, I should be very much surprised if they do not know the stock on hand.

Mr. BOOHER. How could you ascertain the amount of stock on hand unless they had, during your administration, or during some previous administration, made an inventory of it?

Secretary MEYER. We are taking inventories. It is a pretty vast proposition to take inventories all at once.

Mr. BOOHER. How could you tell the amount of stock on hand unless you have an inventory made? The books might not show it.

Secretary MEYER. We have a system which the storekeepers are working on now which I think demonstrates what is on hand. But it would be pretty difficult to give all this detail information to the committee without sending to the yard. It would probably be better for the committee to have the Paymaster General before them.

The CHAIRMAN. In order that you, as head of the department, may know what has been suggested to us, I will say that there has been an intimation made to us to the effect that there has been no actual inventory of the property in the yard there for 10, these many years; that there has been a partial inventory attempted, but never completed. Of course, books can be kept, but it seems to me that with a stock of stuff lying around, as it must necessarily in a vast institution of that kind, there ought to be a check on it by taking stock.

Secretary MEYER. We found, I think, \$70,000 worth of copper buried in one of the Pacific coast yards. We have been having expert accountants to go into each yard and get the books in proper shape. We started with the Boston yard, and then from Boston went to New York, Philadelphia, etc., taking one at the time. As the

result of this, we found \$70,000 worth of copper in one of the Pacific coast yards. It was buried, not to make way with it in any way, but at that time the man who had this in charge did not know to what account to credit it. That was the explanation made.

The CHAIRMAN. How long had it been since it entered into his accounts?

Secretary MEYER. I will send you the record of that.

[From Paymaster General, United States Navy, to commandant navy yard, Mare Island, Cal. Burial of ingot copper.]

JANUARY 27, 1911.

(1) Report of installation of uniform accounting system in United States navy yards, 1911, submitted to the Navy Department on January 21, 1911, by Marwick, Mitchell & Co., chartered accountants, states, among other things, as follows:

"At the Mare Island Navy Yard it was discovered while we were installing the present system that several years ago there was buried in the ground approximately 450 tons of ingot copper, run down into ingot form from scrap. The reasons given for burying it were that 'Under the previous law they did not know to what appropriation to give credit, nor what to do with it, so in order to keep it from being stolen the then commandant ordered it buried.' This ingot copper was dug up and delivered to stores under 'Naval supply account,' and is now being used and charged to cost of work. The total value involved, at 8 cents per pound, is approximately \$75,000."

(2) Please inform the bureau as soon as possible of the details of the matter referred to above. Please direct, also, that the general storekeeper forward to the bureau an advance copy of the invoice under which these stores were taken up, presumably by inventory.

T. J. COWIE.

[First indorsement.]

NAVY YARD, MARE ISLAND, CAL.,

February 6, 1911.

A statement of all known facts in this case is desired.

OSTERHAUS.

[Second indorsement.]

NAVY YARD, MARE ISLAND, CAL.,

February 8, 1911.

In November, 1910, 107,640 pounds of ingot brass was found buried under the floor of foundry No. 1. I turned this brass over to the general storekeeper at this yard and reported the facts verbally to the commandant.

After questioning the yard workmen about this brass, I learned that about five years ago these ingots were cast from scrap brass which had accumulated in the steam engineering department, and that it was stored in a pile on the foundry floor; in order that this brass would not be lost or stolen, it was buried in a pit in the foundry by order of Admiral McCalla.

ENGINEER OFFICER.

[Third indorsement.]

FEBRUARY 9, 1911.

The metal referred to in attached correspondence has been taken up on receipt voucher No. 444 in current quarter.

One hundred and seven thousand six hundred and forty pounds of metal at 0.048 of following composition:

	Per cent.
Tin.....	0.78
Lead.....	.66
Copper.....	89.49
Zinc.....	9.08

This material had not been taken up prior to date awaiting the consideration of a board appointed by the commandant on the disposition of inactive stock.

BANNAFFON.

[Fourth indorsement.]

FEBRUARY 14, 1911.

Forwarded, inviting attention to the various indorsements.

OSTERHAUS.

The CHAIRMAN. So far as you know, has there been any complete inventory made of the stock in this yard down here?

Secretary MEYER. Not yet completed in Washington, but already in Boston, New York, and Puget Sound, but I know that we have started (during this administration) on that whole subject of inventories, and orders were issued some time ago to have inventories made at all yards and stations.

The CHAIRMAN. Could you take an inventory down there without closing down the yard for awhile?

Secretary MEYER. It is quite possible.

Mr. BOOHER. Why not?

Secretary MEYER. It can be done.

The CHAIRMAN. Do you think it will be necessary to close the shops?

Secretary MEYER. No, sir.

The CHAIRMAN. Do you know whether such an institution as the Pittsburg Steel Works closes down while taking stock?

Secretary MEYER. I do not know; I do not own any stock there.

Mr. McMORRAN. Such concerns as Marshall Field, Seigel Cooper, and John Wanamaker have facilities for taking stock without closing their stores.

Secretary MEYER. I suggest that you send for the Paymaster General, who has these things in charge.

Mr. McMORRAN. Speaking of the copper found in the Pacific coast yard, it seems to me that there would be a tendency on the part of the navy yards to accumulate a large amount of unnecessary material. That is one of the great evils in merchandise. I had occasion a short time ago to check up a concern that I was interested in, and I found that they had \$360,000 worth of material, which was enough material to furnish them for from three to four years. Now, they had purchased that, I assume, because the purchasing agent must have been influenced in some way.

Secretary MEYER. Now, when we had those seven different store accounts there was such a tendency, but that tendency is reduced by our new system. We have installed that same system on the battleships. We have only one store account on the battleship now. Now, then, in order to get greater economy and at the same time to keep up efficiency, we have started competition. Of course we have had these competitions in gunnery, which has increased the efficiency in gunnery 1,200 times since the Battle of Santiago. We have increased the range from 4,000 yards to 10,000 yards, and they are firing a shot every 30 seconds instead of once in five minutes, and the hitting capacity has improved over 33 per cent. That has been brought about by scientific management. The first we study the individual to determine his efficiency, and then we work the men collectively to get teamwork, and this competition extends also to the teamwork. Now, that has brought about good results in gun firing, and we are doing the same thing in the consumption of coal, to get economy. We are making one ship compete with another in the matter of economy of supplies as well, and we do not allow a ship to become the ranking ship except through excellency not only in gun firing, but economy in the consumption of coal and supplies as well.

The CHAIRMAN. You offer rewards to anyone who may make discoveries that will bring about economy?

Secretary MEYER. We do not offer money rewards for that. We may have offered rewards on coal economy. The fleet is now getting from the same consumption of coal an average of 12 knots an hour, when it used to be 10 knots. We are applying this system of scientific management to the fleet, and we are saving in minutes and seconds where commercial organizations are working to save in hours. We are trying to apply that to the shop management in the navy yards, and I have been looking into different systems of scientific shop management, and we have three civilian experts working at that. They are to make reports to me and make recommendations as to what methods can be adopted to increase our shop efficiency and at the same time reduce expenses.

Mr. FAISON. When did you put in this competitive system?

Secretary MEYER. In the fleet, we began about a year ago as to stores, and the result has been to introduce many economies. We figure it out that if we were running the ships at the same expenditure to-day that it cost two years ago, it would have increased the expenses very materially. In other words, we are running a fleet now, a larger fleet, for the same amount of money that we were running a smaller fleet, and with the increased tonnage. Economy and efficiency are watchwords.

The CHAIRMAN. Does your bookkeeping system show the expense account of each one of your battleships? Take, for instance, a voyage around the world; did each battleship have a separate account of expenditures?

Secretary MEYER. Yes, sir. There is also a system by which we can get at what each battleship costs, and the pay account is a separate account, you know. The general pay for the Navy is all in one appropriation, but included in cost of commission of each ship.

The CHAIRMAN. Is it not so regulated that a battleship has its expenditures segregated from those of the rest of the ships?

Secretary MEYER. It is; each ship expense account is kept.

The CHAIRMAN. Do you know whether the coal consumption account of each ship is separate?

Secretary MEYER. Yes, sir.

The CHAIRMAN. So you can tell which ship is the more economical?

Secretary MEYER. Yes, sir; otherwise we could not get at it in this competition. But there is a general pay account for the Navy from which the officers receive their pay no matter where they are, but the pay is charged to the ship or station to which officers are attached.

The CHAIRMAN. Was the system of keeping the coal accounts separate in vogue at the time of that voyage around the world?

Secretary MEYER. I do not know; I think it was, though.

Mr. McMORRAN. There has been some discussion in Congress about the cost of forwarding this coal for use in the Navy. Have you any idea of what coal, approximately, the Government has to ship?

Secretary MEYER. No, sir; but I can give you that. We have that on record. (See Statement K, Table 1, facing p. 117; Tables 2 and 3, p. 118, Paymaster General's Report, 1910.)

Mr. McMORRAN. Is it practicable to carry that coal in the colliers that you have?

Secretary MEYER. No, sir.

Mr. McMORRAN. Why not?

Secretary MEYER. We have not enough colliers. We are using colliers all the time; we have no colliers laid off, except for repairs.

Mr. McMORRAN. What would you do in case of war?

Secretary MEYER. We would have to buy them.

Mr. McMORRAN. That is not a very good position to be in.

Secretary MEYER. No, sir; but we are improving that situation in some respects; we are going to use oil. We are trying to make a demonstration with the *Delaware*, to see if the *Delaware* can not go to London and back with the coal in her bunkers, but we will not let her run at more than 12 knots. The colliers travel with the fleet. We have ships in Russian waters to-day, and there are colliers with that fleet.

The CHAIRMAN. Now, if you did not have that fleet cruising in Russian waters, could not the colliers to-day be carrying coal where it would be needed in case of necessity?

Secretary MEYER. Yes, sir; but a very small amount of it, comparatively. We do not need so much coal for the Pacific coast at present. The reason we had to transfer so much coal was when the fleet was cruising around the world. Under ordinary circumstances we could probably take care of that with our facilities, but in case of war, no.

Mr. McMORRAN. Then why is it that in making recommendations for battleships no recommendation is made for giving the Navy the necessary auxiliaries?

Secretary MEYER. I would like to show you our recommendations.

The General Board recommended the following building program for the fiscal year 1912:

- 4 battleships.
- 16 destroyers.
- 1 repair ship.
- 4 scouts.
- 2 transports.
- 1 supply ship.
- 3 tenders for submarines.
- 4 colliers.
- 3 gunboats, including one for service in Chinese waters.
- 1 hospital ship.
- 2 tugs.
- 1 mine-laying ship.

The program recommended to Congress by the department was as follows:

- 2 battleships.
- 1 collier.
- 1 gunboat.
- 1 river gunboat.
- 2 seagoing tugs.
- 2 submarines.
- 1 submarine tender.

Mr. BOOHER. Why can not the Government build ships in yards owned by the Government as cheaply as in private yards?

Secretary MEYER. To begin with, we have more holidays. We have 15 days leave in our shops and we pay for disability; and then there is another matter that adds to the cost, that is, we use higher

class labor in building ships in Government yards than is used in private yards. We will say that one-third, or probably a larger proportion, are simply helpers.

Mr. BOOHER. Do you mean to say that in the building of battleships there is that much difference between the pay of labor in the Government yard and the pay of labor in the private yard?

Secretary MEYER. I did not say that; you misunderstood me; I stated, in the first instance, that we have vacation leave for each laborer, and we are using a higher class labor, whereas, in a ship yard, one-third, or even a greater portion, will be helpers or boys, much less expensive labor. We found in looking it up that that made a material difference.

Mr. BOOHER. Is it not true that higher-priced labor accomplishes more work in a day and that you get better results from it?

Secretary MEYER. There is a lot of work on a ship which simply requires the work of a helper. The same thing is true in paying helpers for plumbing work. If all the work is done by a first-class plumber, although much of it could be done by a helper, you get a greatly increased cost for the plumbing in the house.

Mr. BOOHER. In addition to the cost of labor, is it not true that the Government has to pay more for material?

Secretary MEYER. No, sir; I do not think we do.

Mr. BOOHER. What is the difference between the price of a first-class battleship built by the Government and one built in a private yard?

Secretary MEYER. Well, about \$1,500,000 to \$2,000,000.

Mr. BOOHER. What percentage of that is on account of the cost in labor?

Secretary MEYER. I will have these figures tabulated and insert them in the record.

Practically the entire increase in cost of Navy yard construction over private construction is due to the increased cost of navy yard labor, including, of course, leave and holiday pay. I will insert a copy of a letter from the Chief Constructor of the Navy, dated January 7, 1911, bearing on this subject.

NAVY DEPARTMENT,
BUREAU OF CONSTRUCTION AND REPAIR,
Washington, D. C., January 7, 1911.

Subject: (A) Building the battleship *New York* in a navy yard.

1. The Newport News Shipbuilding & Dry Dock Co., Newport, Va., submitted a bid for a Parsons turbine installation on a sister vessel of \$5,790,000.

2. The New York Navy Yard submitted estimates for the work covered by the Newport News bid of—

Labor.....	\$3, 102, 000
Material.....	3, 201, 000
Indirect expense.....	990, 000

Total..... 7, 293, 000

3. It will at once be noted that the New York yard estimate above, exclusive of supervision, power, upkeep of loose, hand, and machine tools, pay of drafting and clerical force, and leave, holiday, and disability charges for men at work on the vessel is \$513,000 greater than the bid for a sister vessel. Certainly all of the above items must be provided in order to properly build the vessel.

4. The Chief Constructor's memorandum of December 14, 1910, Nos. 4980-A.105-7410-A, addressed to the Secretary of the Navy, explains in detail the present method of figuring indirect expense at navy yards, and arrives at the figure

32.6 per cent of the direct labor as an equitable increased expenditure resulting from the construction of a vessel at a navy yard.

5. The actual cost of building a ship, reduced to its simplest terms, is the actual cost of material, plus the actual cost of productive manual labor, plus indirect expense, by which is meant the amount by which the expenses of conducting the yard have increased by reason of building the vessel.

6. With an efficient administration and under any equitable system of bookkeeping, there is no question that the estimates from the New York yard show that the expenses of conducting the yard during the building of the *New York* will be increased \$990,000, which must be borne by appropriations for the Navy Department. There is further no question that the estimated expense to the Government of building the *New York* in a navy yard will be \$1,500,000 greater than would be the expense of building said vessel by contract.

R. M. WATT.

Mr. FAISON. If these helpers can do this work as well why not put them in your navy yard?

Secretary MEYER. That is what we propose doing on the *New York*. I have been looking into this question of cost, and the Chief Constructor is in sympathy, that is, to reduce the cost of this battleship which is being built in the yard. But we can not affect the leave question. Under the law 15 days annual leave is granted to all employees who have served 12 months. In addition all employees get leave with pay on 7 National holidays, and on 13 half holidays during July, August, and September; this amounts to nearly 30 days in all. I neglected to speak about the hours of labor too.

Expenditures at each yard on account of disability, leave, holidays, and incidental expenses at the several yards and stations, and miscellaneous public bills (Title V).

Navy yards, etc.	Disability.	Leave.	Holiday.	Incidentals.	Total.
Portsmouth, N. H.	\$117.00	\$64,296.91		\$36,838.78	\$101,252.69
Boston, Mass.	71.68	114,229.08	\$28,155.54	48,276.96	190,733.26
Torpedo station, Newport, R. I.	44.00	13,286.60	7,208.21	2,163.17	22,698.98
Training station, Newport, R. I.		1,253.00	998.71	6.56	2,258.27
Naval War College.		350.56	238.51		589.07
New London, Conn.		294.92	168.20		463.12
New York, N. Y.	448.90	162,837.60	159,942.67	71,285.32	394,514.49
Iona Island, N. Y.	627.99	4,832.44	2,458.32		8,018.75
Dover, N. J.		1,579.88	550.72		2,130.60
Philadelphia, Pa.	579.08	119,596.81	11,306.35	63,760.87	195,243.11
Naval magazine, Fort Mifflin, Pa.	252.24	3,508.32	2,616.24		6,371.80
Naval Observatory				739.87	739.87
Washington, D. C.	3,154.69	189,026.04	148,018.28	155,565.41	485,764.42
Naval proving ground, Maryland	1,698.68	6,410.36	5,726.89		13,835.93
Norfolk, Va.		93,430.27	82,280.67	53,333.08	229,044.02
Naval magazine, Norfolk, Va.		3,843.97	1,353.44		5,197.41
Charleston, S. C.	891.78	11,134.05	15,713.44	10,477.67	38,216.94
Pensacola, Fla.	1,208.32	7,867.51	5,662.20		14,738.03
Key West, Fla.	374.00	3,230.01	2,079.35		5,683.36
New Orleans, La.	344.41	3,752.86	3,941.72		7,438.99
Training station, Great Lakes.	76.00	1,588.25	1,992.97		3,656.97
Las Animas, Colo.			1,356.97		1,356.97
Guantanamo, Cuba.		864.77	2,180.27		3,045.04
San Juan, P. R.		1,097.10	186.89		1,283.99
Culebra, P. R.					
Training station, California		1,206.61	772.36		1,978.97
Mare Island, Cal.	446.40	106,594.85	55,768.26	11,289.44	174,098.95
Naval magazine, Mare Island		4,991.80	4,549.68		9,541.48
Puget Sound, Wash.	908.18	2,176.31	1,940.18	88,703.26	93,727.93
Naval magazine, Puget Sound	34.72	624.08	716.60		1,375.40
Hawaii, Hawaii		160.56	836.76		997.32
Guam, L. I.		1,465.13	1,252.14	1,257.73	3,975.00
Cavite, P. I.		38,497.74	33,024.36	16,923.75	88,445.85
Olongapo, P. I.	828.65	8,182.46	8,803.20	5,470.59	23,284.90
Naval magazines, Philippine Islands.		708.75	659.46	453.16	1,821.37
Ships and naval establishments in general (see bills in Statement B, Table 2).				2,651,111.48	2,651,111.48
Total	12,106.72	973,014.60	591,854.31	3,217,659.10	4,794,634.73

Mr. BOOHER. This 30 days' leave is for the year, is it not?

Secretary MEYER. Yes, sir.

Mr. BOOHER. How does it apply to the building of a battleship?

Secretary MEYER. The battleship will be building for more than a year, fully two years, and the men who work on the battleship will have the leave. They take leave.

Mr. BOOHER. This leave is with pay, of course?

Secretary MEYER. Yes, sir.

Mr. FAISON. What is the difference in hours?

Secretary MEYER. We work in navy yards eight hours. It is about 25 per cent difference.

The CHAIRMAN. We had a very interesting talk on the question of short hours in the House the other day, and it was claimed by Mr. Redfield that a certain large factory made a voluntary experiment and reduced the hours of labor from 10 hours to 9. He said they kept the accounts for a year, and found that the labor cost, under the nine-hour system, owing to the increased efficiency, was less than under the old system. He said there was 4 per cent decrease in the labor cost per unit of value, and then he said that the firm instituted the eight-hour system, and I think he said the result of that has not yet been demonstrated, but that it would likely result in a further decrease.

Secretary MEYER. What is causing this study of scientific management is that we have to get the highest efficiency in eight hours in order to overcome the decreased hours of labor.

The CHAIRMAN. He expressed the belief that the eight-hour system would result in a decrease of labor cost owing to the increased efficiency?

Secretary MEYER. It is possible if a man will study a method by which to get the same result in eight hours as in nine hours there would not be any loss; but you can not get as much work in eight as in nine, generally. Under existing conditions, however, it may be possible to get as much result if they adopt improved methods of work. That question, so far as the Navy Department is concerned, is that we know that up to the present time it costs from \$1,500,000 to \$2,000,000 more to build a ship in a Government yard than in a private yard.

Building program for 1912.

	Total amount required for each class—	
	Under Construction and Repair and Steam Engineering.	During first year under Construction and Repair and Steam Engineering.
I. If built by contract without restrictions:		
Two battleships (27,000 tons).....	\$12,000,000	\$4,000,000
One collier.....	1,100,000	550,000
One gunboat.....	425,000	255,000
One river gunboat.....	175,000	175,000
One submarine tender.....	500,000	250,000
Two seagoing tugs.....	360,000	360,000
	14,560,000	5,590,000
Two submarines.....	1,000,000	500,000
Total.....	15,560,000	6,090,000
II. If built by contract under the 8-hour law:		
Two battleships (27,000 tons).....	13,000,000	4,000,000
One collier.....	1,350,000	550,000
One gunboat.....	520,000	255,000
One river gunboat.....	215,000	175,000
One submarine tender.....	610,000	250,000
Two seagoing tugs.....	430,000	360,000
	16,125,000	5,590,000
Two submarines.....	1,200,000	500,000
Total.....	17,325,000	6,090,000
III. If built at a navy yard:		
Two battleships (27,000 tons).....	16,000,000	4,000,000
One collier.....	1,500,000	550,000
One gunboat.....	600,000	255,000
One river gunboat.....	250,000	175,000
One submarine tender.....	750,000	250,000
Two seagoing tugs.....	475,000	360,000
	19,575,000	5,590,000
Two submarines.....	1,200,000	500,000
Total.....	20,775,000	6,090,000

Because of proprietary rights, development, etc., recommend against yard construction at this time.

IV. If battleships according to the latest requirements of the General Board are to be considered, figures for the two battleships must be increased \$2,000,000 in all of the above programs.

R. M. WATT.

The CHAIRMAN. Is that in any way due to the want of administrative or executive ability?

Secretary MEYER. No, sir; I do not think it is owing to the want of ability, but I think it is in part due to this leave that is allowed Government employees. As to the next question, there is no doubt that we could get reduced cost by following the method of not paying high-priced men to do cheap work.

The CHAIRMAN. That seems to be an essential requisite, good executive administration.

Secretary MEYER. But you must realize that a great deal of political pressure is brought to employ men who may not be efficient.

The CHAIRMAN. Is not that the main trouble with the whole thing, political pressure?

Secretary MEYER. It causes some of it, do doubt. We are also handicapped by the civil-service system in regard to labor. We can not take what we want.

The CHAIRMAN. Do you know of any disposition to keep men in the nominal employ of the Government and actually paying them for rendering nominal service? An instance has been brought to our attention of a man who states that he is a messenger at \$60 per month, but he performs very little service for the Government, a service that requires a very small portion of his time, and that this time is appropriated by somebody in the service as though he were a private employee.

Secretary MEYER. I have not come across that.

I want to say this: Under the old system of bookkeeping, when a job order was taken the job order would be given out and then it would be held open and things charged to it from some other order on which they did not have enough money. They made one job order balance out that way. We have stopped that.

Mr. FAISON. Do you not think, in view of the political pressure brought to bear in the employment of labor, and in view of the fact that many of them are under civil-service regulations, and in view of the fact that these employees are entitled to 30 days' leave—in view of all these facts, do you not think that it would be cheaper for the Navy Department to abandon all hope of making ships?

Secretary MEYER. I have gone on record to that effect.

Mr. FAISON. That is the point I had in mind.

Secretary MEYER. I have gone on record that I do not think it fair to the Government or the taxpayers that we should build these ships at an expense of \$1,500,000 or \$2,000,000 over and above what we could have them built for on the outside.

Mr. McMORRAN. You do not figure the overhead charges at all on that, do you?

Secretary MEYER. Yes, sir.

Mr. McMORRAN. Insurance and depreciation?

Secretary MEYER. The law does not allow us to figure insurance and depreciation; no, sir; but we figure all office expenses, etc. Just what the overhead charges are, I would rather have the Paymaster General give that to you.

Mr. FAISON. In view of these facts, could we not buy everything and only build ships and repair ships in private shipyards, doing away with the Government navy yards?

Secretary MEYER. My answer to that is: Our ships are becoming more self-maintaining. We have a forge on each battleship which is capable of doing any ordinary repairs. We are demonstrating that the ships will be able to a great extent to maintain themselves, except when it comes to some serious breakdown. A battleship has to be docked twice a year. There are no docks in the private yards, except at Newport News, that will dock a battleship. I have gone on record as recommending to Congress a year ago the abolition of a great many of these yards, and I stated before the Economic Club the other day that we could come down to three on the Atlantic coast and two on the Pacific coast.

Mr. BOOHER. How many would that abolish?

Secretary MEYER. The ones I recommended to be abolished last year were New London (some of these are stations); Sacketts Harbor; Port Royal, S. C.; Pensacola, because there are two yards in Florida now; New Orleans, which is a hundred miles up the river; San Juan, and Cavite. The saving in maintenance would

be \$1,600,000 a year. If we should abolish these, we would have left Charleston, Philadelphia, Norfolk, New York, Boston, and Portsmouth. We do not need but half of these actually, except that we would save the docks, which are a valuable asset for the Navy. In saying this, I realize that no Congressman in any State wants his yard abolished. I have not stated what the three yards should be. That should be settled, not by the Secretary of the Navy, but by a joint board of Army and Navy experts, who would take into consideration strategic and economic values and their availability to the sea. Of course, we should save all the big docks. By this means, we could reduce the cost of the Navy enormously, and realize on some very valuable property, because in some cases, the property would have an enormous commercial value.

Mr. FAISON. The difference in dollars and cents would appeal to the business sense of the Government.

Secretary MEYER. It will appeal to the public sentiment as soon as they realize the saving and the sentiment will become so strong that Congressmen and Senators will feel it, but the subject must be approached in a broad, comprehensive, and patriotic way.

Mr. FAISON. I think it might be within the province of this committee to assist you in these matters.

Secretary MEYER. I am also appealing to the business communities of the country.

Mr. FAISON. If the Secretary would give us some report showing the waste which you had previous to this new system, and the improvement which the new system has brought about, that would be interesting.

Secretary MEYER. Yes, sir; I will give it to you. This is published in my hearing of January 16, 1911, before the House Naval Committee, page 423, etc., to which reference is made. See also my annual report for 1910, pages 7, 8, etc. The table on page 8 shows cost of repairs to old ships, which we are now largely preventing.

The CHAIRMAN. The suggestion has been made that there is now a régime under which the Secretary has four aides, I believe, through whom the heads of the bureaus communicate with the Secretary. That is a new arrangement, is it not?

Secretary MEYER. When I came to the department I found that the Secretary was going to know as much as the bureau chiefs wanted him to know, or, more properly, as they had time to furnish. Now, of course, these bureau heads are doing excellent work, but there was no system by which a new man coming into this great military institution could get responsible expert advice. Therefore, I went into it and made a study of the English system and the German Navy and our successful shipyards. I realized that under the law the bureau chiefs could issue any order and it would take the effect of an order coming from the Secretary. It gives him a good deal of authority, but it has never been revoked. In order to act intelligently it was necessary that I should get full information and be thoroughly posted. I decided to group the bureaus into four logical divisions, and that these should be as follows: One on operations of the fleet, another on everything in connection with the personnel, a third having to do with material, and the fourth on inspection. In the operations of the fleet I wanted some one who would give his entire thought and study to the movement of the ships and to the plans

required for the movement of the ships in conjunction with the War College at Newport and with the General Board in Washington.

That is of the utmost importance, because it tends to preparedness for war, which the Navy exists for in case of war, and to see to it that in case of trouble there would be no confusion as existed at the time of the Spanish War. The next was the aid for personnel, who has supervision of officers, the movements of men, and the cadets at Annapolis. The third one was the aid for material, who makes a study of material, covering the Bureaus of Construction, Engineering, Ordnance, Supplies and Accounts, and Yards and Docks. The fourth is the aid for inspections. Now, I have explained to you what the first did. The second supervises the assignment of officers, in conjunction with the Bureau of Navigation. The third, the aid for material, is of great importance, because he reports to me on work from time to time.

The CHAIRMAN. That is the aid for material?

Secretary MEYER. Yes, sir. He has no authority; he can not issue any order, but he merely reports to me and recommends. If he found that work was delayed because of disagreement between two bureau chiefs as to how work should be done, they talked it over, with him acting as a sort of referee, and invariably he has been able, without any correspondence, which might have gone on back and forth between two bureaus for months, to adjust the matter and have it come before me in the proper form for signature. The result is a great saving in time on the part of everybody concerned.

The CHAIRMAN. And it results also in the heads of the bureaus not calling on you personally until they have fully threshed out the matter?

Secretary MEYER. Yes, sir; and, under such circumstances, I would have to decide without getting information from a disinterested source.

The CHAIRMAN. You have four men to investigate for you instead of doing it yourself?

Secretary MEYER. Yes, sir; and they are experts in their respective divisions, and if they do not make good some one else will be put in their places.

The CHAIRMAN. Are they civilians?

Secretary MEYER. No, sir; they are military men, naval officers.

The CHAIRMAN. Don't you think civilians would be better?

Secretary MEYER. No. What would a civilian know about the operation of a fleet? What would a civilian know about the operation of a large military establishment and advise me in such a way as to enable me to save the expenditure of hundreds of thousands of dollars? I can send that list to the committee.

The CHAIRMAN. Is the head of the bureau a civilian or a military man?

Secretary MEYER. They are military men, Naval Academy men, except in three bureaus.

The CHAIRMAN. Each of the eight chiefs?

Secretary MEYER. Yes, sir. The fourth aid is the aid for inspections, and I will tell you about this system of inspection. For instance, on the cruiser *New York* we made an expenditure of \$2,000,000, while on the *Brooklyn* we cut that down so that not more than \$400,000 will be spent. The object of inspection is to prevent an unnecessary

amount of expenditure which, when completed, will not have a military value commensurate with the amount of money spent. Now, this aid for inspection takes the estimates of these bureaus, and then looks at the cost, and if the cost will be of sufficient value to authorize us to go ahead, he so reports. Formerly the report went to the bureau, but now the report comes to the Secretary. Before it was a sort of criticism on each bureau, but now it is in the nature of a criticism of the work as a whole.

The CHAIRMAN. Is there any increase of pay by reason of these four aids?

Secretary MEYER. No, sir; it is merely a different assignment of duty.

The CHAIRMAN. I think there has been some intimation that the heads of the bureaus do not have easy access to the Secretary of the Navy.

Secretary MEYER. I have not found it so. I would like for you to send for one of the bureau chiefs and ask him that question.

The CHAIRMAN. Whether they think the system a good one or not?

Secretary MEYER. Yes, sir; and whether they have any less access to me. I send for them as much as ever, because it is if something that refers to their work, and their work alone, I want their opinions, because they are experts on that; but when it is work that comes before two or three bureaus I want that to take the other course.

The CHAIRMAN. You want that thrashed out before it comes to you?

Secretary MEYER. Yes, sir.

The CHAIRMAN. This may be involved in some future investigation, and we might want to go into it. I call your attention to this memorandum of the information of the officers of the Pay Corps, and so forth, issued by the Navy Department. In looking over it I notice some immense differences in the cost of supplies at one place and another. Have you ever investigated that?

Secretary MEYER. Yes, sir; I have ordered the Paymaster General to, and we have been changing our methods somewhat.

The CHAIRMAN. I give you this one suggestion here that looks strange to me at least. Here is cottonseed oil, in commercial 1-gallon tins. At Portsmouth the price is \$1; at Boston, 88 cents; at Newport, 85 cents; at New London, 70 cents; at New York, 50 cents; at Philadelphia, 40 cents; at Annapolis, 90 cents; at Washington, 60 cents; at Norfolk, 50 cents; at Charleston, \$1.20. It looks like the highest priced cottonseed oil is right there in the midst of the cotton-growing country, and these differences run all the way from 40 cents to \$1.20 for the same kind of material, furnished at the different places. Have you ever looked over these things?

Secretary MEYER. I have not looked up that special article.

The CHAIRMAN. It occurred to me that these differences were unusual. Here is Philadelphia, where you are buying that stuff at 40 cents a gallon, and at Annapolis, not very far off, you are buying it for 90 cents per gallon.

Secretary MEYER. Have you ever been to Annapolis?

The CHAIRMAN. Yes, sir.

Secretary MEYER. It is the most out of the way place I know of.

The CHAIRMAN. But in Washington the price is 60 cents per gallon, while at Charleston the price is \$1.20 per gallon. Why should there be such a difference in that?

Secretary MEYER. What is that? Does that quote the market price of what we buy?

The CHAIRMAN. No, sir; what you pay for it, as I understand it. This was a memorandum for the information of the officers of the Pay Corps, commanding officers of ships, and commandants of stations. It is issued by the Navy Department, Bureau of Supplies and Accounts, Washington, June 15, 1910.

Secretary MEYER. I know since we have stopped buying by separate bureaus that we have been able to save money by buying in quantities. I know that coal has been bought from several mines, and we have saved money there. They reported lately to me that the hemp we used to buy of dealers here was bought at Manila, and the saving is about \$40,000 in hemp alone in one year. But I suggest that you question the Paymaster General when he comes before you about that, and he will give you a satisfactory explanation.

The CHAIRMAN. We will send you this statement so you can revise it, and I would be glad if you would return with it a list of these publications.

Secretary MEYER. I will be glad to do so.

(For publications referred to in regard to naval supply fund and naval supply account, see hearings before the Committee on Naval Affairs of the House of Representatives on estimates submitted by the Secretary of the Navy, 1911, pp. 141 to 169, 303 to 313, 453 and 454, and 503 to 508; and statement in regard to forwarding of coal to the Pacific coast in the Paymaster General's report, Statement K, Table 1, facing p. 117, and Tables 2 and 3, p. 118.)

The CHAIRMAN. Where the department purchases supplies and material, is much time consumed in the adjustment of accounts, or is there delay in making payment?

Secretary MEYER. I have always contended that the Government should pay its bills promptly. The Government should get what it advertises for, and discount its bills wherever possible.

The CHAIRMAN. Government business ought to be the very best in that respect.

Secretary MEYER. Yes; but the Government has not always the best reputation. This, however, is not the fault of the Government; it is rather the fault of some local official who thinks it is smart or clever to delay settlements.

The CHAIRMAN. I have known of cases where the people did not desire to deal with State institutions on that account, but I did not know it extended to the Federal Government.

Secretary MEYER. I do not think it does as a rule, but it does occasionally.

(Whereupon, at 1 o'clock p. m., the committee adjourned.)

No. 3

HEARINGS

BEFORE THE

**COMMITTEE ON EXPENDITURES IN THE
NAVY DEPARTMENT**

OF THE

HOUSE OF REPRESENTATIVES

ON

HOUSE RESOLUTION NO. 109

**TO INVESTIGATE THE EXPENDITURES IN
THE NAVY DEPARTMENT**

JUNE 19, 1911

**WASHINGTON
GOVERNMENT PRINTING OFFICE
1911**

EXPENDITURES IN THE NAVY DEPARTMENT.

[Committee room, room 119, House Office Building. Telephone 413. Meets on call.]

RUFUS HARDY, *Chairman*, Texas.

FRANK E. DOREMUS, Michigan.

WILLIAM B. MCKINLEY, Illinois.

JOHN M. FAISON, North Carolina.

HENRY McMORRAN, Michigan.

CHARLES F. BOOHER, Missouri.

CLARENCE B. MILLER, Minnesota.

BEN L. PRINCE, *Clerk*.

EXPENDITURES IN THE NAVY DEPARTMENT.

COMMITTEE ON EXPENDITURES
IN THE NAVY DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Monday, June 19, 1911.

The committee met at 10 o'clock a. m., Hon. Rufus Hardy (chairman) presiding.

**STATEMENT OF HON. GEORGE VON L. MEYER, SECRETARY OF
THE NAVY—Continued.**

Mr. MILLER. Mr. Secretary, I would like to ask one question with reference to these navy yards which you suggest might, with propriety, be abolished. Has a commission of suitable persons—that is, competent persons—ever made any investigation and report to you as to which ones could be, with propriety, abolished?

Secretary MEYER. Yes; the General Board made recommendations as regards navy yards, and I will get a copy and send it to you. Admiral Mahan also made me a report which I can send you.

(The statements referred to are as follows:)

[Memorandum for the General Board.]

NAVY DEPARTMENT,
Washington, August 6, 1910.

The Secretary of the Navy would like to have comprehensive answers to the questions given below by October 1:

- (1) What of all our navy yards and stations may be given up without detriment to the efficiency of the fleet?
- (2) Should any naval station or docking or repair station be established in addition to those now existing or which are recommended to be given up?
- (3) Should any navy yards be moved to other locations in the same strategical field?
- (4) Which of the naval stations on the Gulf coast is considered the most important and for what purposes should it be maintained?
- (5) What will be the effect of opening the Panama Canal on the strength and composition of the fleet?
- (6) What will be the effect of opening the Panama Canal on the navy yards and naval stations below Hatteras and which should be maintained and which given up?
- (7) What battleships will pass into the second line of defense in the near future? Show by a table the effective battleships remaining and the strength of the fleet in first and second class battleships for each year, assuming that two new battleships are appropriated each year.
- (8) What coaling or other naval stations does the United States need in the vicinity of the termini of the Panama Canal, if any?

G. V. L. MEYER, *Secretary of the Navy.*

GENERAL BOARD, NAVY DEPARTMENT,
September 28, 1910.

SIR: Replying to the department's memorandum of the 6th ultimo, the General Board submits herewith answers to the questions contained in that memorandum and also appends extracts from letters and indorsements of the General Board relating to the subject matter of the questions.

After mature deliberation, the General Board sees no reason for changing its opinion as expressed in these letters, but particularly desires to emphasize the increased importance of Guantanamo as a strategic point due to the change of conditions incident to the opening of the Panama Canal.

Question 1. What of all our navy yards and stations may be given up without detriment to the efficiency of the fleet?

In its letter to the Secretary of the Navy in regard to a general naval policy as to docking and repair facilities (No. 404 of Oct. 2, 1906), the General Board said (paragraph 11):

"As a matter of general policy the General Board is of the opinion that the work of repairing and refitting our ships should be concentrated in the large navy yards and that as far as possible the smaller and comparatively unnecessary yards should not be further developed and, if opportunity presents, be done away with."

Again in paragraph 12, pages 9 and 10, of the same letter the board said:

"*Pensacola, Fla.*—The General Board does not recommend any extension of the facilities at this yard, as its strategic position is not considered of importance enough to warrant it, and the board advises against the establishment of a permanent dry dock at this point. While Pensacola makes a good winter anchorage for the fleet and a rendezvous for drills and exercises and for torpedo flotillas, its position is not an advantageous one for a navy yard for the war fleet.

"*New Orleans, La.*—The same remarks under Pensacola, Fla., apply with greater force to this naval station, and the General Board recommends that its facilities be not increased. The fact that this station lies many miles up a river whose entrances are narrow and liable to destruction, would effectually preclude its use by vessels of the fleet anywhere in the vicinity."

In its letter to the Secretary of the Navy (No. 404, dated Feb. 24, 1909), in reply to the department's letter No. 27183, dated February 20, 1909, the General Board said:

"The General Board is of the opinion that, so far as present needs are concerned, the navy yard at Pensacola, Fla., and the naval station at New Orleans, La., are not necessary, and may, in the discretion of the Navy Department, be closed at any time."

In accordance with the instructions contained in the department's memorandum, dated August 6, 1910, the General Board has carefully considered the question "What of all our navy yards and stations may be given up without detriment to the efficiency of the fleet," and adheres to its former opinion that the naval stations at Pensacola and New Orleans may be closed without detriment to the efficiency of the fleet.

It does not seem advisable to close any other yards at present.

Question 2. Should any naval station, or docking or repair station, be established in addition to those now existing, or which are recommended to be given up?

Yes, and it is earnestly recommended that the capacity of the naval station at Guantanamo be increased to that of a first-class naval base, including dry-docks, repair shops, fuel depots, and the necessary quarters.

On October 28, 1905, the General Board stated:

"The General Board reiterates its repeated recommendation to the department that as little money as possible be spent at oversea stations other than Guantanamo and Subig Bay (changed to Pearl Harbor in 1909) until they have been fully built up to their desired capacities.

"The department's action on these recommendations now constitute a well-defined policy which should not be violated without good reason."

Rear Admiral Mahan recently stated in a letter to the president of the Naval War College that:

"Guantanamo and Guam, suitably fortified and with a superior fleet based upon them, defend respectively the Pacific and Gulf coasts better than any local sea-board defenses. They also defend more comprehensively. That is the defense they afford defends also the coast trade and lines alike those from the Gulf to the Isthmus of Panama; in short, all that lies behind them."

It is recommended that a docking and repair station for large ships be established in San Francisco Bay as recommended in answer to question 3.

Stations are needed in the vicinity of the Panama Canal as recommended in the answer to question 8.

The General Board recommended in April, 1910, that a board be appointed to determine the most available localities at Boston, New York, and Hampton Roads for depots behind fortifications, each capable of storing 200,000 tons of coal, including that in subaqueous storage, so situated that coal can be received and delivered with rapidity.

As soon as these positions are selected, the General Board recommends that the coal depots be established at these places.

Question 3. Should any navy yards be moved to other locations in the same strategic field?

The General Board is strongly of the opinion that, for the reasons set forth below, docking and repair facilities for large vessels in San Francisco Bay are imperative.

(a) The Mare Island yard can not be approached by our largest ships without danger, and even if they could reach the yard at extreme high water they would have to lie on the bottom for a considerable portion of every tide.

(b) The available berthing space is very far from being sufficient for a first-class yard.

(c) The tidal currents are so strong and the water space abreast the yard so constricted as to seriously hamper the handling of vessels there.

(d) The facilities for delivering material to the yard are insufficient.

(e) The distance of Mare Island from a labor market is too great.

(f) The alluvial matter held in solution in the waters discharged into Suisun Bay is extremely detrimental to the condensers and evaporators of modern vessels. This condition can not be altered without depriving the water front of the circulation of water necessary for maintaining good sanitary conditions, as has been proved in ships which have remained at the yard for some time.

(g) While some of the above conditions are susceptible of more or less improvement, they have been made the subject of exhaustive study for years and no plan, so far as the General Board is aware, has been evolved which is generally accepted by experts as a solution of more than a part of the difficulties.

(h) Considering the expense involved in any plans known to the board, for concentrating docking facilities for large vessels at Mare Island, the uncertainty of the results, and the fact that even if perfectly successful they will not give Mare Island the facilities which the board believes can be obtained elsewhere in the vicinity of San Francisco, the General Board is of the opinion that a docking and repair station for large ships on the mainland in San Francisco Bay is necessary.

The question of moving the navy yard at Mare Island is a large one, and the General Board has not the necessary information before it which will justify it in expressing an opinion on this subject until complete information on the possible sites is available for study.

Question 4. Which of the naval stations on the Gulf coast is considered the most important and for what purposes should it be maintained?

The General Board considers Key West the most important of the naval stations on the Gulf coast, because it is the nearest port, within the continental limits of the United States, to its naval base at Guantanamo. It also commands two eastern entrances to the Gulf of Mexico.

Thus Key West becomes important as a naval supply station for the distribution and transshipment of stores and supplies and for that reason it should be maintained as a secondary or supporting station to the main base at Guantanamo.

It is not a safe anchorage for battleships and can not be made so without great expense, but may be used as a rendezvous for torpedo craft and small cruisers.

Naval stations should be maintained only at places where they will be of value either as strategic bases from which the fleet may operate or as building, repair, or supply stations.

New Orleans, for reasons stated in General Board letter of April 11, 1908, and February 24, 1909, copies of which are appended, is unsuitable for either purpose.

Pensacola has a large sheltered harbor from which it might be possible for the fleet to operate, but Guantanamo is so far superior, from a strategic point of view, that it makes Pensacola unnecessary.

Pensacola and New Orleans are not strategically important and the maintenance of naval stations at these points is a military extravagance.

Key West, for reasons stated above, is important as an adjunct to Guantanamo and as commanding the Straits of Florida and eastern entrance to the Gulf, and as such should be maintained, but its development should be limited to that of a base of supplies and communications.

Question 5. What will be the effect of opening the Panama Canal on the strength and composition of the fleet?

The General Board, in its letter of October 2, 1906, took into account the opening of the Panama Canal and based its recommendation for a building program upon this assumption.

The policy of the United States should be to have an adequate fleet of ships of the first line available in either ocean capable of meeting any which would be likely to be brought against it. But, in view of the fact that when the canal shall be completed, we shall not have enough ships to accomplish this, it will be necessary to have a squadron of ships in each ocean and to keep a fleet ready to move through the canal. With the canal completed and naval bases at Pearl Harbor, Guantanamo, and the Isthmus, a fleet should be held in each ocean and a shifting squadron be kept ready to combine

with either fleet and thus render it capable of overpowering an adversary in either ocean.

The principal advantages which the canal would give would be the gain in time in transferring the supporting force from one ocean to the other as well as the saving in expenditure of fuel at a most important time.

Many of the older ships will be in the second line, and while these would remain on the coast least threatened the first line ships would be moved through the canal to meet the enemy. Using the canal instead of the Magellan Straits will not only save 8,000 miles to Panama but will also reduce the time by nearly 30 steaming days, and with the fuel station at the Pacific end of the canal would place the fleet full of fuel within 5,000 miles of the naval base at Pearl Harbor and 3,200 from San Francisco.

Guantanamo, the most important strategic point in the Caribbean Sea, will be 4,000 miles from San Francisco and 5,400 miles from Pearl Harbor when the canal is available.

A fleet can thus be transferred through the canal with a great saving of time and fuel, will always take fuel in United States waters, and run much less risk of being intercepted in transit.

When the canal is completed it will be possible to protect the interests of the country in both oceans with fewer ships than if the canal did not exist, but while the strength of the fleet is affected by the existence or nonexistence of the canal, it is obvious that the composition, i. e., the proportion, of the fleet is in no wise affected.

The General Board has not lost sight of the effect of the completion of the canal; and since June, 1902, when the act incorporating the canal was passed by Congress, all of its recommendations have been governed by the changed conditions which would then be developed.

All references to the value of the Panama Canal are made under the presumption that it will be properly fortified. Obversely, if not properly fortified, the strength of the fleet must be increased instead of diminished, as the canal becomes a point of weakness and vulnerability, which must be protected by the fleet.

Question 6. What will be the effect of opening the Panama Canal on the navy yards and naval stations below Hatteras, and which should be maintained and which given up?

The opening of the Panama Canal and the establishment of a base there will render the navy yards and naval stations on the Atlantic and Gulf coasts south of Hatteras unnecessary as bases from which to operate a fleet in case of hostilities in the Atlantic Ocean.

The further effect of the opening of the Panama Canal is to increase the importance of Guantanamo and make imperative the immediate acquisition of the increased area necessary for its defense and its development into a first-class naval base. Guantanamo is the key to the naval situation in the West Indian and Gulf waters, and its position is such as to render it of paramount importance as a base of operations in the event of the United States becoming engaged in hostilities in the Atlantic Ocean.

The opening of the Panama Canal increases the importance of concentrating the repair and refitting of our ships in the large navy yards, and the closing, as far as practicable, of those stations which possess no strategic value, and which were originally selected as a result of considerations which should no longer have weight and conditions which have ceased to be of advantage to the existing fleet. With the development of Guantanamo to meet modern requirements and the creation of a naval base on the Isthmus, the naval stations on the Atlantic and Gulf coasts south of Hatteras should all be given up for purposes of repair and the upkeep of the high-sea fleet.

The General Board therefore recommends:

First. That every effort should be made to upbuild the naval station at Guantanamo and that immediate steps be taken to acquire the extension of area necessary for its protection.

Second. That the navy yard at Pensacola, Fla., and the naval station at New Orleans, La., be closed.

Third. That the development of the navy yard at Charleston, S. C., should be limited to the requirements for its use as a torpedo-boat base, but the dry-dock facilities at this station should be kept in readiness for use when required.

Fourth. That the naval station at Key West, Fla., be maintained as a base for supplies and communications.

Fifth. That steps be taken as soon as possible to give up completely the naval station at New Orleans.

Question 7. What battleships will pass into the second line of defense in the near future? Show by a table the effective battleships remaining and the strength of the fleet in first and second class battleships for each year, assuming that two new battleships are appropriated each year.

The board herewith submits a table giving the number of battleships divided into 10-year age classes. For determining the age of battleships, the board considered that its age should be calculated from the date of the completion of the design which may be regarded as the date when the contract is signed. This practice has not always been followed out. After careful consideration of the relative factors in each plan the board is of the opinion that the age should date from the completion of the design. The most important of several reasons for this decision is that the gradual loss in value of an old ship as compared with a new one is not because of the actual deterioration of the material, but because of the inferiority of her design, due to the progress of invention and engineering in the intervening time.

By the first table the number of ships which may be considered available for the first line of battle will never after 1910 be over 14 and will fall to 13 and 12 in 1913 and 1914, while there will be available for the second line in 1914 approximately 20 ships, so that the standard of the fleet by 1914 will become 14 first and 20 second-class battleships.

The board considers that the *Indiana*, *Iowa*, *Kearsarge*, and *Alabama* classes (9 vessels) have passed into the second line, and that by 1912 the *Maine*, *Missouri*, and *Ohio* will also pass into the second line.

By 1914 all of the 25 ships down to and including the *New Hampshire*, which were designed previous to the all big gun ship, will have passed out of the first line. This first line will then consist of 14 all big gun ships.

There is also appended a list of battleships arranged in the order of their design, and the years in which they become 10, 20, and 30 years old.

Age of United States battleships in order of dates of signing contracts.

	Contracts signed.	10 years from con- tract.	20 years from con- tract.	30 years from con- tract.
1. Indiana.....	November, 1890.....	1900	1910	1920
2. Massachusetts.....	do.....	1900	1910	1920
3. Oregon.....	do.....	1900	1910	1920
4. Iowa.....	February, 1893.....	1903	1913	1923
5. Kearsarge.....	January, 1896.....	1906	1916	1926
6. Kentucky.....	do.....	1906	1916	1926
7. Alabama.....	September, 1896.....	1906	1916	1926
8. Illinois.....	do.....	1906	1916	1926
9. Wisconsin.....	do.....	1906	1916	1926
10. Maine.....	October, 1898.....	1908	1918	1928
11. Missouri.....	December, 1898.....	1908	1918	1928
12. Ohio.....	October, 1898.....	1908	1918	1928
13. Georgia.....	February, 1901.....	1911	1921	1931
14. New Jersey.....	do.....	1911	1921	1931
15. Rhode Island.....	do.....	1911	1921	1931
16. Virginia.....	do.....	1911	1921	1931
17. Nebraska.....	March, 1901.....	1911	1921	1931
18. Louisiana.....	October, 1902.....	1912	1922	1932
19. Connecticut.....	do.....	1912	1922	1932
20. Kansas.....	June, 1903.....	1913	1923	1933
21. Minnesota.....	do.....	1913	1923	1933
22. Vermont.....	do.....	1913	1923	1933
23. Idaho.....	do.....	1913	1923	1933
24. Mississippi.....	January, 1904.....	1914	1924	1934
25. New Hampshire.....	do.....	1914	1924	1934
26. Michigan.....	December, 1904.....	1916	1926	1936
27. South Carolina.....	July, 1906.....	1916	1926	1936
28. Delaware.....	do.....	1916	1926	1936
29. North Dakota.....	August, 1907.....	1917	1927	1937
30. Florida.....	do.....	1917	1927	1937
31. Utah.....	November, 1908.....	1918	1928	1938
32. Arkansas.....	do.....	1918	1928	1938
33. Wyoming.....	September, 1909.....	1919	1929	1939
No. 34.....	October, 1909.....	1919	1929	1939
No. 35.....	August, 1910.....	1920	1930	1940
	do.....	1920	1930	1940

Question 8. What coaling or other naval stations does the United States need in the vicinity of the termini of the Panama Canal, if any?

The General Board is still of the opinion expressed in its letter of August 31, 1910, as follows:

"The General Board therefore recommends that the final plans for the naval station at the Canal Zone, Isthmus of Panama, include—

"(a) A first-class naval base with docking and repair facilities, equal to those planned for Pearl Harbor, at the sea level near the Pacific terminus of the canal.

"(b) At the sea level at the Atlantic terminus of the canal the naval reservation should include a coal and fuel oil depot with facilities for temporary repairs to enable wounded vessels to pass through the canal. The commercial requirements at this station necessitate that these facilities should include a dry dock.

"(c) A naval magazine in Gatun Lake.

"(d) A wireless station of the highest practicable power on the summit of Lirio Cerro, south of Culebra. The General Board approves of the position selected by the naval members of the Panama Fortification Board for naval purposes."

Very respectfully,

GEORGE DEWEY,

Admiral of the Navy, President General Board.

The SECRETARY OF THE NAVY.

[Extracts from letters and indorsements of the General Board relating to the subject matter of the questions submitted by the Secretary of the Navy in his memorandum for the General Board dated Aug. 6, 1910.]

June 8, 1905.—The General Board is again constrained to renew its recommendation that no effort be diverted from upbuilding the naval station at Guantanamo, which, with the completion of the Panama Canal, becomes the key to the naval situation in West Indian and Gulf waters.

October 28, 1905.—The General Board reiterates its repeated recommendation to the department that as little money as possible be spent at other over-sea naval stations than Guantanamo and Subig Bay until they have been fully built up to the desired capacity.

The department's action on these recommendations now constitutes a well defined policy which should not be violated without grave reason.

February 12, 1907.—With reference to the above-mentioned bill relative to an expression of opinion concerning the establishment of an additional dry dock and repair station upon our Atlantic coast, the General Board considers that at the present time there is no necessity for any new naval stations on the Atlantic coast, and it feels that any expenditure in such a direction would be more judiciously employed in developing the facilities and resources of the stations already existing.

April 11, 1908.—In its letter to the Secretary of the Navy in regard to a general naval policy as to docking and repair facilities, No. 404 of October 2, 1906, the General Board said (paragraph 11): "As a matter of general policy the General Board is of the opinion that the work of repairing and refitting our ships should be concentrated in the large navy yards, and that, as far as possible, the smaller and comparatively unnecessary yards should not be further developed, and, if opportunity presents, be done away with." Again, in paragraph 12, pages 9 and 10 of the same letter, the board said: "Pensacola, Fla.: The General Board does not recommend any extension of the facilities at this yard, as its strategic position is not considered of importance enough to warrant it, and the board advises against the establishment of a permanent dry dock at this point. While Pensacola makes a good winter anchorage for the fleet and a rendezvous for drills and exercises and for torpedo flotillas, its position is not an advantageous one for a navy yard for the war fleet. New Orleans, La.: The same remarks under Pensacola, Fla., apply with greater force to this naval station, and the General Board recommends that its facilities be not increased. The fact that this station lies many miles up a river whose entrances are narrow and liable to destruction would effectually preclude its use by vessels of the fleet anywhere in the vicinity."

In view of the above opinions, to which the General Board adheres, it recommends that no further development of the naval station at New Orleans be undertaken at the present time.

February 24, 1909.—The General Board is of the opinion that, so far as present needs are concerned, the navy yard at Pensacola, Fla., and the naval station at New Orleans, La., are not necessary, and may, in the discretion of the department, be closed at any time. In connection with the question of limiting the development of the navy yard at Charlestown, S. C., the General Board confirms its opinion as stated in its letter of October 19, 1908, as follows: "That further development of Charleston, except as a torpedo-boat base, is not desirable at this time," and believes that this policy should be followed.

(2) The General Board suggests the following as the form of an order to carry out the department's intention with regard to the navy yard at Pensacola and the naval station at New Orleans, La.:

"On March 1, 1909, or as soon thereafter as practicable, the navy yard at Pensacola, Fla., and the naval station at New Orleans, La., will be considered as closed, so far as relates to manufacture, repair, and the supply of vessels of the Navy. The tools, machinery, and other public property involved will be placed in condition for preser-

vation; the windows of storehouses, shops, and other public buildings, not to be used as the result of this order, will be boarded up as may be necessary. The question of the disposition of the public stores and the carrying out of the details of this order is referred to the commandants and the several bureaus concerned for action or recommendation as may be necessary.

"The drydocks at Pensacola and New Orleans, La., will be kept in condition for service. The Marine Guards will be retained at these yards for the protection of public property."

March 31, 1909.—(2) The General Board is of the opinion that the strategic importance of Key West as a naval station and naval base is inferior to that at Guantanamo, the latter being nearer the probable theater of war in the event of the fleet being employed in the West Indies, especially having in view the protection of the Atlantic terminal of the Panama Canal and the routes leading thereto.

(3) The General Board has heretofore expressed the opinion that Key West among other secondary stations should not be further developed until Guantanamo has been fully completed as a naval base, and to this opinion the board adheres at the present time.

(4) In addition to strategic location, Guantanamo possesses the advantages over Key West of being more easily defended, has a greater anchorage area for a fleet without dredging, has greater depth of water, is free from dangers to navigation and will cost less money to develop to the same degree of efficiency for the repair and docking of ships than is possible at Key West owing to the limited area and shoal water at the latter port.

(5) The General Board therefore does not recommend the further development of Key West at this time along the lines suggested by the commandant of the station.

February 28, 1910.—In answer to the question put by the Secretary of the Navy "When the Panama Canal is completed, can we reduce our demand for new ship construction?"

Independent of the question of the completion of the Panama Canal, the size of the fleet should be such as to meet probable attack if the entire fleet is concentrated in one ocean.

The recommendations of the General Board for the increase of the fleet to meet the above condition have not been met by Congress for the past three years, only two battleships having been allowed annually.

If new construction is not greater in the future than has been allowed annually by Congress for the past three years, nearly two battleships a year, this number is only just enough to allow for the natural waste of the fleet if the life of battleships is assumed to be not over 25 years. Therefore, the condition which has been specified that the fleet should be able to meet a probable attack when concentrated in one ocean, would never be met by the addition of only two ships annually.

The influence of the completion of the Panama Canal on the ultimate size of the fleet will be touched upon in answer to the next question.

(This question, "When the Panama Canal is completed, can we go on the 'one-ocean' basis?" was answered as follows:)

Without the Panama Canal, the proper defense of our coast would require a fleet in each ocean sufficiently large to meet a probable enemy on that coast. With the canal completed, as concentration in either ocean is then possible, the size of the total fleet could be decreased. The total number of ships will be materially less with the canal than without it, but, owing to the difficulties of concentration with such distances involved, the fleet must be considerably greater than if our country had a coast line on one ocean only.

March 29, 1910.—(8) The General Board believes that the best navy-yard efficiency, both military and economical, would be realized if there were only a few yards, all well equipped and situated geographically with respect to labor supply and strategic considerations. Probably nearly half our navy yards and stations are unnecessary and, but for the money invested in them, would not be considered. But they exist and their resources are in some respects valuable for the maintenance of the fleet. The situation would be quite different if money in large sums had not been expended to provide these resources.

[Memorandum for the Secretary of the Navy.]

MARSHMERE QUOGUE, LONG ISLAND,
September 24, 1910.

The question addressed me concerning naval yards and stations has to be viewed from the broad ground of general national policy. One view is that a navy exists primarily for defense only. This, the popular impression, while excessively narrow

and inadequate, is so far correct that the safety of the national coast is the primary consideration, if only because the entire coast line is the base of both national defense and offense by naval means; such basic function being localized in particular positions, the superior fitness of which makes them to represent the whole.

The other view, that the navy is essentially for offensive action, that coast defense itself, to be adequate, depends upon the power of the navy to assume the offensive, and which recognizes the existence also of external policies to the maintenance of which the navy is the necessary arm, is more correct, and the one I shall follow. This view includes the popular saying "a navy for defense only," as the whole includes its parts; for the provision of bases for home coast defense is conducive, even essential, to the external action of the navy.

The United States has now two principal and permanent external policies: The Monroe doctrine and the open door. The latter of these signifies that trade with Chinese territory by the world outside of China is to be regulated by China herself, and not by external powers forcibly installing themselves in possession of Chinese territory.

Having reference to naval stations, the Monroe doctrine centers around the Isthmus of Panama; the open door requires positions as far advanced in the Pacific Ocean as is permitted by the local advantages of points now in our possession and by the general national willingness to maintain a navy and naval bases adequate to our avowed national policies.

As before remarked, the entire coast frontier, like any land frontier, is the national base of operations. Our coast frontier divides into three sections—the Atlantic, the Gulf, and the Pacific. Naval stations for these must be chosen in accordance with the two principal objects stated: (1) To insure the safety of the coast; (2) to facilitate external operations in support of national policies.

This is the point to introduce a remark which governs the military determination of navy yards and naval stations, a consideration too rarely distinctly formulated; this is, that navy yards are for war, not for peace; that therefore they are primarily yards for repair and refit, not for construction, because under modern conditions naval vessels must be constructed in peace, the duration of a war not allowing time. The function of naval stations, therefore, is to maintain, in efficiency, ships already built, and their location should be determined by this consideration, irrespective of facilities for building, whether natural or acquired.

This amounts to saying that the choice and maintenance of naval stations should be determined by strategic considerations, rather than by such as are industrial or economical. Of course, where the three coincide, as in New York, it is a fortunate conjunction; but where there is a collision of considerations the place which is superior by situation, nearness, defensive strength, and the possibility of storing resources is to be preferred to one industrially or commercially greater. Let me add that the chief of all elements of refit is the dock, and suitable ground for docking, or harboring floating docks, is a prime consideration.

The Atlantic seaboard is obviously the most important of the three principal divisions of our sea frontier. Its function in a general scheme of naval provision is largely defensive, because it is not nearest to either of our great external objects of policy. In case of war with a naval power so far superior as to be able to maintain on that coast a navy stronger than our fleet, our fleet would need at least two principal bases; because the existence of two not only provides alternate refuges in case of need, but by that very fact facilitates also the offensive operations of any character, the execution of which is the office of a defendant navy. The question of the Atlantic seaboard, viewed distinctly as a military problem, is therefore simple; nor is there any doubt that Chesapeake Bay and New York represent the two best positions. That the two are principal does not imply that they are equal, or should receive equal development. New York is distinctly the better, because it has two entrances; for New York must be understood to embrace Long Island Sound, and may advantageously be extended to include Narragansett Bay. So extensive an interior sheet of water, covering unlimited resources, with two entrances over a hundred miles apart, each capable of powerful fortification, constitutes a base of naval operations probably unique in the world.

In considering the Gulf coast we find ourselves at once in face of a complex problem; for there is involved not only local defense and utilization, but the further question of the Panama Canal. This last compels us to assume as a factor a navy at least substantially equal, on the ground in dispute, to any that would venture to encounter us there. With a distinctly inferior navy we can not protect the Isthmus; the question therefore is, how with equal forces best to insure the safety of the Gulf ports, and their usefulness to the plan of operations?

The reply, to my mind, seems quite clear that the Gulf coast is best defended, and because so defended made most useful as a source of supplies to the Isthmus, by the

effective occupation of Guantanamo. By effective I mean the establishment of docking resources and defenses which will assure the use of the place by the fleet. A fleet pivoted on Guantanamo covers effectually the whole Gulf coast, granting ordinary local defensive fortification against sea attack at the important seaports, New Orleans, Mobile, Galveston; because a hostile fleet is debarred from hasty attack by such local fortifications, and from prolonged operations by the fact that all its lines of communication with the ocean would be flanked by Guantanamo. Precisely the same remark applies to the line of communications from Gulf ports to the Isthmus, essential to the maintenance of the latter; Guantanamo by position covers them all.

For these reasons Guantanamo appears to rank next in importance as a naval station to the Chesapeake and New York, and second to these only because home security bears to external policy the relation of a foundation to its superstructure.

I am inclined to attach value to Key West as a naval station secondary to Guantanamo because, being hereafter in communication by land with the rest of the country, it can more rapidly and more safely serve as an intermediate means of supply to Guantanamo. That is, supposing the enemy strong enough to remain in American or Caribbean waters, the sending of supplies directly from Atlantic or Gulf ports would be longer and more exposed than through Key West. If Key West can be sufficiently fortified and docks built there, Guantanamo and Key West would give the Gulf the two frontier positions, which it is generally held are expedient on any frontier regarded as a base of operations. By the north and south sides of Cuba there are two distinct lines of communication between the two places.

I conceive that such occupation of Guantanamo and Key West, having behind them the Chesapeake and New York, defends the Gulf coast better than it is possible to defend the Atlantic coast, and the more so because the latter, being much the more important commercially, would thereby invite harassment by an enemy.

The Pacific coast intrinsically is more exposed, in greater danger from an enemy, than either of the others, because, being much the more recent, it has received less development, and is far more removed by land from support by the Atlantic and Gulf coasts than either of these is from the other. There is also much more imminent danger of hostilities in that sea than in the Atlantic, because of the doubtful issue of the open door and the inflammable prejudice of our Pacific population toward the Japanese resident.

I need scarcely enlarge upon the probable disinclination to war of the Japanese Government, with its critical engagements in Manchuria and Chosen amid two hostile populations, and with Russia close at hand to improve any opportunity for retrieving recent humiliation and loss. If we can keep our Pacific people in hand, even the open door may be maintained for some time to come, despite the apparent purpose of Japan to disregard it as far as she can—a purpose easy to forgive in view of her poverty and financial needs. But, should war come, Japan has an excellent navy, a very numerous army, highly organized, and with a recent experience which will constitute its members available veterans for foreign service for full 10 years hence.

Invasion of the Pacific coast is therefore a possibility which is transmitted into actuality; we have no organized land force to meet. This means that, should our Navy not be able to prevent a landing, our naval basis may be taken out of our hands. The same, doubtless, is true of positions on other coasts; but there is more imminence in the Pacific. Further, we have in the Pacific Ocean two external territorial interests—Hawaii and the Philippines—besides Panama, which is common to both coasts.

Not only, therefore, is a navy doubly essential to prevent attack, but it is more than usually exposed to the loss of positions which are indispensable to its efficiency. Actually, we have not an army capable of operating in Japan, while Japan has an army capable of operating in the United States; granting in each case the capacity to effect a landing. It is difficult to state more forcibly the dependence of an issue upon a navy, and this is the fundamental consideration in determining the question of naval stations, upon which the navy in its turn is dependent.

These considerations govern my reply as to the Pacific. Because of their commercial importance, and as accessory to the defense of the Pacific coast line, also as outlets for supply to the Pacific Fleet in general, Puget Sound and San Francisco should remain naval stations. Of these, I believe Puget Sound to be distinctly superior to Mare Island; and unless there exist within San Francisco Bay an available site markedly better than that at Bremerton, the latter should receive the higher development as a docking yard. But to cover the Pacific coast against a landing and at the same time protect our other interests in the Pacific—the open door, the Philippines, Hawaii—Pearl Harbor should receive the development now contemplated, and Guam should be constituted a kind of Gibraltar, if the engineers find that it can be held for six months by works and a garrison which the country would be willing to provide. No situation in our possession equals Guam to protect every interest in the Pacific; nor need it be feared that Japan would attempt an invasion of the Pacific coast, or of

Hawaii, nor probably of the Philippines, with a superior or equal American Navy securely based upon a point only a thousand miles from its coasts and flanking all its eastward communications.

It has been necessary to give this outline of reasons to account for my reply that, in my judgment, having regard to the military, commercial, and industrial interests of the country, and to its security, there are five principal naval positions to be maintained as naval stations—New York, the Chesapeake, Guantanamo, Puget Sound, Guam. Accessory to these Pearl Harbor, in Hawaii, and Key West.

These are the great offensive positions strategically underlying the avowed external policies of our country. All others are defensive only; expected only to stand on the defense against attacks by ships. Within them works of construction or repair may be established, and it may be necessary in a representative political system to obtain support for that which is necessary by conceding maintenance to that which is not similarly essential. No objection, however, can be made to distributing constructional provision, irrespective of war emergencies, provided the war stations are kept up to the necessary adequacy for refit—especially docking. On the contrary, the distribution of manufacturing employment is in the interests of the country. It realizes Napoleon's motto, "Disseminate in order to live; concentrate in order to fight."

By naval station of the first order I mean one having not only seaward defense, but landward dispositions as well, calculated to insure holding out until the general force of the Nation and the Navy could come to its assistance. All others, for instance, Boston, would require only seaward guns, because, if taken, the efficiency of the positions vital to the national cause would not be seriously impaired. I am inclined to think that Guam so secured would render unnecessary any other first-class station, as defined, on the Pacific, except that the large Japanese population of Hawaii would require particular precautions for Pearl Harbor.

To undertake works to defend on the land side the naval stations at New York, Norfolk, and Puget Sound is probably neither immediately necessary, nor under existing political conditions possible. There should, however, be in hand, ready for immediate execution, schemes of such defense, matured by the selection of lines and the elaboration of plans for fortifying them, having in view the character of troops, regulars or citizen, that could be had to man such works. In an emergency, and with the time gained by our great distance from any dangerous enemy, a large force for rapid construction could be at once secured. But for Guantanamo, Pearl Harbor, and Guam no such day of grace can be expected. If it be determined to fortify them at all, what is to be done should not be begun until everything is ready to press forward to the point of security. The worst of all mistakes would be to prepare them so far as to fall into an enemy's hands well fitted for resistance to recapture. This would resemble what Russia did, by the way she assembled her Port Arthur Fleet.

As regards abandonment or modification of existing naval stations, viewed as a purely military question, I should consider that for the decisive operations of war no harbor east of Cape Cod or south of the Chesapeake is of great importance. Guantanamo and Key West, developed as suggested, would eliminate the former Gulf ports Pensacola and the Mississippi, which, 20 years ago when I first studied the strategic features of the Gulf and Caribbean, were of the first class. The increasing size of battleships, as well as our new acquisitions, throws them out. The events of 1898 advanced our Gulf frontier to the line of Key West, Guantanamo, Porto Rico. In the Pacific, Puget Sound, Pearl Harbor, and Guam are the only military indispensable positions.

The case of all other existing naval stations—Portsmouth, Boston, League Island, Charleston, Port Royal, the Gulf ports, Porto Rico, San Francisco, the Philippines—is to be determined on administrative and political grounds only. A concentration of energies on those ports alone which are called first class might prove opposition too strong to overcome. Construction of all sorts, therefore, and the repair and maintenance of torpedo vessels and cruisers other than armored, submarines, and general manufacturing might be distributed elsewhere as thought expedient and useful. It may very well be that such distribution would relieve the great stations and so rather increase than diminish efficiency. But as naval stations for war, only the five named, with Key West and Pearl Harbor, need to be maintained. Such provision is not very excessive for a frontier, I suppose, 5,000 miles, and an external policy like the Monroe.

My advocacy of Guam is based upon its position, the assumed sufficiency of its harbor after certain easy improvements, and the further assumption that it might be made as secure as Malta, the works of which I was assured on the spot by a distinguished British engineer, are of very exaggerated development. The question of such defense is, of course, for the Army to decide. Into other reasons for Guam I will not enter further, the more so that at the request of the president of the War College, I contributed to the present conference a fairly full discussion of the matter.

A. T. MAHAN.

Mr. MILLER. What I want to know is, are you in a position now, of your own knowledge, or on information furnished by persons on whom you are willing to rely, to state, having in mind the best interests of the Navy Department, which of the navy yards now in existence could be abolished?

Secretary MEYER. Yes; I made a personal inspection last year. I made a 12,000-mile trip, which took me first to Chicago to see the training station that was being built there and then over to the Pacific coast and down the entire coast.

Mr. MILLER. Have you formulated that in a report?

Secretary MEYER. I formulated that in a report to Congress last session, and I will further utilize this information when I make my next report and after receiving the report of the Joint Board on this subject.

Mr. MILLER. That shows that I am not familiar with the reports.

Secretary MEYER. I do not see how you could be expected to be familiar with all of them. I do not see how you could have time to read all of the reports that are sent to Congress. In that I recommended, as a beginning, that the least important yards (those about which there was no dispute concerning their uselessness to the department) should be abolished.

The CHAIRMAN. By the way, Mr. Miller, I want to suggest here, in connection with that question of what navy yards are necessary, that it encounters, as I think the Secretary told us the other day, this difficulty: Those matters are referred to the Naval Affairs Committee, which is a big committee and which has been particularly selected with reference largely to having somebody on it in whose district there is one of these navy yards. The difficulty is to ever get that committee to report a bill abolishing any one of those yards, because each yard has a defender on the committee.

Mr. MILLER. That is the very reason—

The CHAIRMAN. Wait one minute until you get the point I want to make. It is human nature that we do not like to have our pet affected. Now, if it were possible that a bill touching that matter could be referred to this committee, there would be a different atmosphere and a different attitude with reference to it; but if any bill proposing to deal with that subject were put into the House, of course it would be referred to the Naval Affairs Committee. Now, can you devise any scheme whereby this committee could ever get jurisdiction of that question that we are going into?

Mr. MILLER. Most assuredly. Either move on the floor of the House to have it referred to the committee—which motion would be promptly voted down—

The CHAIRMAN. I did not ask for any scheme that would give us a "set-down."

Mr. MILLER. Or use these new rules to have some shining mark file a motion to have the Naval Affairs Committee discharged from further consideration of that bill.

Secretary MEYER. Of so much as refers to the navy yards.

Mr. MILLER. Yes.

The CHAIRMAN. You are devising a scheme to get us slightly smashed.

Mr. MILLER. No. My real purpose in making the inquiry is just as you have indicated. I do not suppose it is possible, ordinarily, to get the Naval Affairs Committee to report out such a bill. We would

not have jurisdiction over the bill, anyhow. But we can, with propriety, make an investigation of those facts, and a finding which ought to have some force and weight. That is entirely within the jurisdiction of this committee, if no other body will take it up. The Secretary has been zealous in trying to get some kind of information on this subject.

The CHAIRMAN. You have put a report in calling attention to the fact?

Secretary MEYER. Yes; you would have the support of quite a number of the members of that committee.

Mr. MILLER. It seems to me highly absurd that the Government should move along with an innumerable number of barnacles. You can not have a land office established in a town, you can not have an immigration office, you can not have anything that a community wants or thinks it is entitled to by divine right but that, when the interests of the Government no longer require the continuance of the office, it still has to keep on supplying the money for it. It accounts for some of the heavy expenditures in running the Government. From what I have been able to learn, I think some of the biggest barnacles the Government has are some of these obsolete navy yards that are no longer equipped for taking care of the present style of ships and the present needs of the department.

Secretary MEYER. The ships can not approach some of them.

Mr. MILLER. Is it not the purpose of this committee to make some investigation of that situation and some finding?

The CHAIRMAN. I do not think that would take us out of our sphere. In fact, our duties will lap over onto that, anyhow. If we go thoroughly into the investigations provided for under the rules, we can do that.

Mr. MILLER. I do not think that any department ought to be criticized for large expenditures where by law you require them to make useless and needless expenditures.

The CHAIRMAN. There is no question about that. The only thing is how we can get hold of it with some efficiency.

Mr. MILLER. As a matter of fact, the salary of this clerk or that clerk is something that is infinitesimal as compared with these larger things.

Mr. McKINLEY. Do you not think if you were to introduce a bill and ask that it be referred to your committee it would be referred there?

The CHAIRMAN. You know the jealousies of committees. If you were to propose a bill to abolish certain navy yards, I am inclined to think the Naval Affairs Committee would insist very strenuously that that belonged to them; and I believe that under the universal custom of referring such bills to the Naval Affairs Committee we would have a very hard struggle, no matter where that bill came from, in getting it referred to us.

Secretary MEYER. I think it would help if you could see your way to make recommendations as regards the abolishment of navy yards.

The CHAIRMAN. I would not be surprised—

Secretary MEYER (interposing). That is, it would help the Naval Affairs Committee, because I have found on that committee a great many men who are disgusted with the—

The CHAIRMAN (interposing). Then, during this hearing, just give us briefly and succinctly a kind of a résumé of the reasons why certain

of these navy yards ought to be abolished, and name them for us, and we will take that up in connection with the question of our recommendation, and perhaps we will make a report, or something of the sort.

Secretary MEYER. I recommended after this inspection trip, which included all our Navy stations, with the exception of Hawaii and Pearl Harbor, that we abolish New London, which is a naval station behind a railway draw——

The CHAIRMAN (interposing). That is in Connecticut?

Secretary MEYER. Yes. Sacketts Harbor, which is in New York, and Port Royal, in North Carolina.

Mr. McKINLEY. South Carolina, I guess.

Secretary MEYER. I meant South Carolina, which already has two navy yards, Charleston and Port Royal, Port Royal having a dock which cost half a million dollars, and not being approachable, even, by any battleship.

The CHAIRMAN. What is its usefulness there? Can it be used for anything at all?

Secretary MEYER. It is nil. Also Pensacola, which is in Florida, it having two stations, the other being Key West.

The CHAIRMAN. How far apart are they?

Secretary MEYER. One is in the northwestern part of Florida, and Key West is at the southern tip. Key West is being developed as a gunboat and torpedo-boat station, and is a valuable location if one can get supplies there, as it is on the route to Panama.

The CHAIRMAN. Its locality makes it desirable?

Secretary MEYER. Its locality makes it very desirable as an adjunct and supplement to Guantanamo, which is a temporary base in winter, where the fleet maneuvers for several months.

The final recommendation on that coast was New Orleans, which is 100 miles up the river. There have been about two millions and a half spent there. We merely keep caretakers there now, to try and keep the buildings from deteriorating.

The CHAIRMAN. They do no work there?

Secretary MEYER. No.

The CHAIRMAN. What force is required, or about what expense is that to the Government?

Secretary MEYER. I will send you that in detail for the various yards.

Statement showing date of establishment; original cost of site; expenditures for buildings, public works, and improvements; machinery installed in the various buildings; and cost of maintenance of the several navy yards and stations to June 30, 1910; also the average yearly cost of maintenance for five years.

[Table from annual report showing cost of maintenance.]

Stations.	Date of establishment.	Original cost of site.	Total expenditures for buildings, public works, and improvements, and machinery installed in the various buildings.	Total maintenance, including repairs.	Total cost of land, public works, improvements, machinery, and maintenance, including repairs.	Average yearly cost of maintenance for five years.
First-class navy yards (at home):						
Portsmouth.....	1800	\$110,500.00	\$10,006,929.89	\$8,720,582.09	\$18,838,011.98	\$428,595.15
Boston.....	1800	300,782.26	14,015,799.50	16,007,646.23	30,384,227.99	916,535.41
New York.....	1801	590,123.15	25,867,974.92	31,177,278.60	57,635,376.67	1,958,452.92
Philadelphia.....	1868	Gift.	11,015,439.94	10,269,160.47	21,284,600.41	708,093.69
Washington.....	1800	157,099.00	11,969,124.71	13,197,175.25	25,325,398.96	728,095.26
Norfolk.....	1800	478,517.50	15,733,682.19	16,113,733.15	32,325,932.84	1,006,598.64
Mare Island.....	1854	83,491.00	17,644,057.09	17,363,162.17	35,080,710.26	1,051,424.93
Puget Sound.....	1891	18,212.50	5,610,377.53	3,769,602.96	9,398,192.99	469,012.97
Second-class navy yards (at home):						
Charleston.....	1901	105,207.00	3,569,045.79	778,381.52	4,452,634.31	142,952.88
Pensacola.....	1828	(¹)	7,700,637.10	4,516,794.01	12,217,431.11	340,011.95
New Orleans.....	1849	15,000.00	2,684,151.18	701,984.69	3,401,135.87	112,098.79
First-class navy yard (abroad):						
Hawaii.....	1899	58,140.50	1,577,814.35	590,700.73	2,226,655.58	89,318.43
Second-class navy yards (abroad):						
Cavite.....	1898	(²)	2,523,136.35	8,723,088.71	11,246,225.06	1,056,401.84
Olongapo.....	1901	(²)	2,908,849.48	909,515.30	3,818,364.78	177,265.33
Naval stations (at home):						
Port Royal.....	1883	5,000.00	1,461,782.00	1,100,002.00	2,566,784.00	24,351.76
Key West.....	1854	156,111.83	2,205,440.23	1,787,934.35	4,149,486.41	143,096.25
Naval stations (abroad):						
Guantanamo.....	1903	Leased.	1,189,237.01	969,211.60	2,158,448.61	178,131.23
San Juan.....	1898	(²)	73,754.06	770,265.31	844,019.37	95,746.86
Guam.....	1898	(²)	296,624.14	1,253,188.58	1,549,812.72	180,510.90
Tutulla.....	1900	45,125.39	489,353.09	447,005.83	981,484.31	64,258.62
Training stations:						
Newport.....	1899	69,850.00	2,378,171.72	4,778,286.21	7,226,307.93	506,917.90
California.....	1898	(¹)	344,969.36	720,656.07	1,065,625.43	96,084.07
Great Lakes.....	1905	Gift.	2,591,546.58	313,306.90	2,904,853.48	62,661.38
Coaling stations:						
New London.....	1868	Gift.	431,037.46	337,561.68	768,599.14	13,156.05
Yokohama.....	1900	88,677.99	88,677.99	406,232.00	494,909.99	55,811.94
Frenchmans Bay.....	1899	24,650.00	541,167.44	57,884.54	623,701.98	8,655.55
Bradford.....	1900	35,000.00	1,148,944.80	220,636.88	1,404,481.68	38,589.37
Pichilínque, Mexico.....	1900	51,804.44	51,804.44	20,032.78	71,837.22	2,019.94
San Diego, Cal.....	1904	(¹)	204,758.87	26,822.08	231,581.85	4,742.17
Tiburon.....	1904	80,000.00	556,409.53	98,124.75	734,534.28	19,490.97
Sitka.....	1900	(¹)	124,961.96	22,909.92	147,871.88	3,324.78
Miscellaneous:						
Annapolis (Naval Academy).....	1845	405,345.76	10,825,529.94	10,244,815.07	21,475,690.77	1,252,519.53
Naval proving ground.....	1890	38,220.00	944,620.24	1,206,324.75	2,189,164.99	120,790.63
Las Animas (naval hospital).....	1907	(¹)	374,573.42	827,247.52	1,201,820.94	165,449.50
Culebra (naval base).....	1904	(²)	23,132.08	157,788.91	180,920.99	30,187.35
Total.....		2,836,375.89	159,173,516.34	158,604,944.51	320,613,796.74	12,251,954.84

¹ Military reservation.

² Acquired by conquest.

The CHAIRMAN. Yes.

Secretary MEYER. In addition to that, we want to abolish San Juan in Porto Rico, and Cavite in Manila Bay. The saving in the actual maintenance each year would be \$1,600,000.

The CHAIRMAN. In these yards?

Secretary MEYER. These yards that I have just mentioned.

Mr. McKINLEY. Are there not one or two more further up the coast there?

Secretary MEYER. I was going on to that.

The CHAIRMAN. Before you leave the matter of the Cavite yard, I would like to say that I imagine we will run right astride of Mr. Hobson, if we do not want to spend a lot of money there.

Secretary MEYER. No; I think he recognizes that Cavite has got to be given up. The policy is not to have a great naval base in the Philippines at all, and to allow Olongapo to be merely a repair station, which it is now, and in case of war or trouble to be given up.

The CHAIRMAN. Your idea is not to have a naval base in the Philippines?

Secretary MEYER. No; but to have a temporary repair station, which is already established, and which is of limited extent, at Olongapo, where there is deep water and good anchorage. Battleships can not get up to Cavite. You see the size of the ships has so increased that now certain yards which were originally ample, and might have been useful, are not accessible. But Cavite never had water except for small gunboats.

Now, those were the direct recommendations to Congress made this last session. It was necessary to have a beginning. Since then I have gone on record as saying that I believe three navy yards on the Atlantic coast, provided we keep the dry docks in the other yards, would be ample for the fleet. If we were to abolish those which I have already named, there would still be six on the east coast—Portsmouth, Boston, New York, Philadelphia, Norfolk, and Charleston. Of those six, five have docks which would float any of the battleships we have at the present time in commission, and therefore the dock itself is a valuable asset; but we do not need more than three navy yards for our repair and small amount of manufacturing work, provided we preserve for the use of the Government the dry docks in those which are abolished.

The way I proposed to handle those six navy yards, there being no question about the other one, in order to have the most expert opinion, was to have the joint board of the Army and Navy consider the question. They should take into consideration the strategic value, harbor resources, depth of water, defenses, and the labor market. It was my intention to get the support of that expert opinion before making a final recommendation to Congress as regards the six larger yards which would be left on the Atlantic coast after these minor yards have been abolished. In that way we would have three yards on the Atlantic and two on the Pacific which have been thoroughly developed, the third on the Pacific being Pearl Harbor, which is to be the great naval base, or as some call it the Gibraltar of the Pacific. It is felt that Pearl Harbor will be made impregnable, and that no hostile fleet will dare attack the Pacific coast while that remains occupied by American troops and naval vessels. Therefore, the resources for maintaining the fleet would be about equally divided on the Atlantic and the Pacific. There is to be a temporary repair base and floating dock at Guantanamo, which has a wonderful harbor, sufficient to have within its confines the entire fleet, and all the auxiliaries, without any inconvenience. It is a great drilling ground both for marines and bluejackets, and for maneuvering during the months when they can not be up on the Atlantic coast;

and it is the natural defensive base of the Panama Canal. When the Panama Canal is opened it will be still further evident that all these yards are not needed on the Atlantic coast. The fleet will then spend part of its time in the Atlantic and part in the Pacific.

The CHAIRMAN. What is the location of Guantanamo with reference to the Panama Canal and other essential points of strategic importance?

Secretary MEYER. Guantanamo is about 700 miles from Panama, and it is right on the route to Panama from all the Atlantic ports.

The CHAIRMAN. So that its strategic position is very important?

Secretary MEYER. Very; and Congress recognized it this last session by appropriating \$378,500 for establishing a temporary base there, for repair shops of a limited character.

The CHAIRMAN. What would be the nearest port, then, on the west of Panama?

Secretary MEYER. There is no port.

The CHAIRMAN. The nearest navy yard—

Secretary MEYER (interposing). San Francisco.

The CHAIRMAN. How far is Pearl Harbor from Panama?

Secretary MEYER. Pearl Harbor is about 4,600 miles from Panama.

Mr. McKINLEY. It is about 2,000 miles from San Francisco.

Secretary MEYER. Yes; about 2,000 miles from San Francisco, and San Francisco is about 3,200 miles from Panama.

Mr. MILLER. Three thousand miles from Panama?

Secretary MEYER. Yes.

The CHAIRMAN. And Pearl Harbor is about 2,000 miles from San Francisco?

Secretary MEYER. Yes. Pearl Harbor and San Francisco would be the nearest bases; but the Panama Commission proposes to establish dry docks and wharves and shops at each end of the canal, which are primarily for commercial purposes, but which would be available to the Government in time of war.

The CHAIRMAN. To a nonmilitary man, it seems to me that there will be the chief point of strategy for the play of the Navy, from one coast to the other, on the way to Panama.

Secretary MEYER. Yes; that is true, but it is pretty certain we will not ever have a war in both Atlantic and Pacific Oceans at the same time. We want to pass from one side to the other when circumstances require it, but the fleet must never be tied to the canal. Guantanamo commands the canal, the whole Caribbean region, and is within easy distance of our Atlantic coast, enabling a fleet there to defend any or all by moving toward the enemy's fleet. Pearl Harbor is similarly well situated for a fleet to defend the Pacific coast.

The CHAIRMAN. Then you want to pass from one side to the other at times?

Secretary MEYER. Yes; but in time of war this is a remote possibility on account of the danger of a part of the fleet being blocked in the canal. The base where the fleet would lie, according to indications of trouble, would be Pearl Harbor or Guantanamo. In ninety-nine out of a hundred situations it would be one or the other.

The CHAIRMAN. That is what I was thinking; and that if possible you would want a harbor even closer to it.

Secretary MEYER. There is no harbor better located or more accessible for the size of the fleet. There are places where, in case a unit

of the fleet was injured, it could be repaired; but the fleet must have ample accommodations.

The CHAIRMAN. Pearl Harbor is a fine harbor, is it not?

Secretary MEYER. I have never visited it; but I understand so.

Mr. McKINLEY. It would be a fine place if there should be a war?

Secretary MEYER. Yes. There will be ample space for ships there, with the largest dry docks we have.

The CHAIRMAN. Mr. Secretary, do you know Mr. Simms personally?

Secretary MEYER. Is he the man who was up here?

The CHAIRMAN. He is the man. He is the only witness besides yourself. We had Mr. Lucas, and he told us Mr. Simms understood this situation with reference to inventories, and also with reference to those accounts. We called him before us; and you brought a reference to his record.

Secretary MEYER. Yes.

The CHAIRMAN. But I did not know whether you knew him personally.

Secretary MEYER. No; I have never seen him. I never heard of him, even, until he appeared here.

The CHAIRMAN. I do not think that when you were here we submitted to you a letter from him to Mr. Merriam, a copy of which came to me. That letter succinctly states largely his attitude—his complaint if you may call it such, for it is a complaint—and I think it states some things around which we ought to hinge our inquiries. They are with reference to the Kendall contract—

Secretary MEYER. Yes.

The CHAIRMAN. Also, very seriously, with reference to Mr. Merriam himself, and his action as general storekeeper and utilizing the labor.

Secretary MEYER. The storekeepers are under the Paymaster General. He is the custodian of the books and accounts, and is responsible for them, and he is the one who would be most intimate and familiar with all transactions present and could make himself familiar with past transactions; and I would suggest that the committee call upon him.

The CHAIRMAN. I thought perhaps you knew something of the character of Mr. Simms.

Secretary MEYER. I know nothing about him. I never heard of him.

The CHAIRMAN. The record you brought—

Secretary MEYER (interposing). Except that I asked for his record. We keep the records of all of them. It was such as I designated, that he had been dismissed on one occasion, and that he was addicted to the drug and liquor habit.

The CHAIRMAN. Or, rather, I think the information was that that dismissal was on account of that fact; but he was reinstated.

Secretary MEYER. He was reinstated, as the record shows, upon the personal request of his friends to give him one more trial. That is all I know, as far as the record is concerned.

The CHAIRMAN. The record is just what you told us here?

Secretary MEYER. Yes; as it was furnished to me.

The CHAIRMAN. A man might have gotten "tight" and been dismissed, and yet be a very truthful witness.

Secretary MEYER. He may be the most reliable man in the world—I do not know anything about him—or the most unreliable.

The CHAIRMAN. Are there any other questions? You had not gotten through, I believe. I think perhaps you had, too; but I broke into it in some way.

Secretary MEYER. I was going on to say that we are developing on the Pacific side, Puget Sound, with a dock which will be completed next March, which will be 800 feet long and the same width as the locks of the Panama Canal. We have had a dock at Mare Island, but the trouble has been with the silt of the soil in the channels. As a result of my trip I was able to get an appropriation from Congress to widen and deepen the channel over the Pinole Shoals, which is the channel approach to Mare Island, and the approach to San Francisco from the other side to a depth of 30 feet and a width of 500 feet. In addition to that the Navy got an appropriation to build dikes and deepen the channel in front of Mare Island Navy Yard. The difficulty in the past has been that they have deepened and widened these channels and then let them alone. Now we are going to have a system by which there will be continuous dredging annually, so that it will not be allowed to fill in for a number of years until it gets to such a point of shallowness that it loses its usefulness. We hope in that way to make Mare Island accessible to our large battle-ships. Of course to-day with large ships a naval station at San Francisco would never be established at Mare Island, but near San Francisco itself.

Mr. MILLER. How about San Diego Harbor? Has that ever been considered?

Secretary MEYER. Yes; I went down to San Diego Harbor. It has been dredged out to a good channel, but has sharp turns. It does not compare to San Francisco. But we do not want to distribute our resources. We want to concentrate them.

Mr. MILLER. Then the three on the Pacific coast that you had in mind would be Pearl Harbor, Puget Sound, and San Francisco?

Secretary MEYER. Yes.

The CHAIRMAN. You say that the harbor at Mare Island fills up from the silt?

Secretary MEYER. Yes, sir. All the time.

The CHAIRMAN. Have your engineering forces given you any solution of the silting problem there?

Secretary MEYER. They suggested three methods and a joint board considered those methods. It was finally decided to build these dikes and to deepen the channel, and then have a hydraulic system of dredging—a suction system. But I am told success in maintaining the necessary depth at Mare Island is doubtful.

Mr. MILLER. Are there any other navy yards existing at the present time on the Pacific coast other than you have mentioned?

Secretary MEYER. No. Fortunately we have not got them distributed all over the coast, as we have on the Atlantic coast.

Mr. MILLER. They would not require discontinuing, then?

Secretary MEYER. No.

The CHAIRMAN. In other words, as you have not got the splinter in your finger, you do not have to take it out.

Secretary MEYER. We have not got the harbors, to begin with. The only other harbor that we might possibly develop would be San Diego.

The CHAIRMAN. And that you think would not be a success?

Secretary MEYER. Well, I do not think it would be necessary. I am opposed to any expenditures for anything we do not actually need. I do not mean to say that it would not be advisable for commercial purposes to increase the facilities of the harbor, and I think we will naturally come to an increase of trade and commerce as to the Panama Canal when it is opened; but San Diego has not the railroad communication as yet to be a natural commercial port. No one knows what the future will bring in the Pacific Ocean, but as far ahead as I can see we do not want a navy yard at San Diego.

Mr. MILLER. San Diego is about 600 miles from San Francisco, is it not?

Secretary MEYER. San Diego is nearly on the Mexican boundary line.

Mr. MILLER. I know it is; but it is about 600 or 700 miles, I think.

Secretary MEYER. Yes, about that. The harbor that is most accessible, as Mr. McKinley has called attention to, is Hawaii.

The CHAIRMAN. That is, Pearl Harbor?

Secretary MEYER. Yes. When it is finally settled that it should come down to three navy yards on the Atlantic coast, of course there is valuable real estate in those to be given up which the Government could realize on.

Mr. MILLER. Have you any idea how much the Government could realize on it?

Secretary MEYER. It would depend on what three they decided to keep, but the value of the real estate alone of most of our eastern yards is very considerable and those in the larger cities are most valuable water front property.

Mr. MILLER. Suppose they kept the New York, the Norfolk—

Secretary MEYER. I should not want to commit myself on that, because that would be anticipating.

The CHAIRMAN. You mean if they abandoned these navy yards there would be some assets?

Secretary MEYER. There would be some assets coming to the Government.

The CHAIRMAN. Cashable to the Government, from the real estate?

Secretary MEYER. Oh, yes.

The CHAIRMAN. These minor ones, however, would be less valuable?

Secretary MEYER. Yes.

The CHAIRMAN. They would not be very valuable, I suppose. In New Orleans, I presume, you would have some considerable value?

Secretary MEYER. Yes; and it is going to increase its value, because undoubtedly New Orleans is going to be greatly benefited by the Panama Canal. Then we have demonstrated within the last two years the navigability of the Mississippi River for large steamers.

The CHAIRMAN. You had a battleship there not long since?

Secretary MEYER. Last year we had the *Mississippi* there, and this year the *Idaho* as far up as Vicksburg.

Mr. MILLER. There could be no possible strategic importance attached to that?

Secretary MEYER. The navy yard, no; it is 100 miles up the river.

Mr. MILLER. Is not Key West, or some place in Cuba, really the key to that situation?

Secretary MEYER. Key West and Guantanamo—Guantanamo as the chief base and Key West as supplementary.

Mr. MILLER. Guantanamo is on the Cuban shore?

Secretary MEYER. Yes.

Mr. McKINLEY. What depth of water have you at Key West? You have only about 20 feet, have you not?

Secretary MEYER. A little less than 30, but that is merely as a torpedo and gun boat base, you know.

Mr. MILLER. Is not Guantanamo, then, practically the key to even the Panama Canal?

Secretary MEYER. Yes.

Mr. MILLER. And the whole of the Gulf of Mexico?

Secretary MEYER. Yes; and the whole Caribbean Sea, and the whole Atlantic coast.

Mr. MILLER. The whole Caribbean Sea?

Secretary MEYER. Yes; it is a great strategic harbor.

Mr. MILLER. It is the key to everything, practically, down to Brazil?

Secretary MEYER. Yes.

The CHAIRMAN. As I understand, you have pretty definitely decided that you will not maintain a naval base in the Philippines?

Secretary MEYER. Yes; that was decided by the Joint Army and Navy Board.

The CHAIRMAN. Does that mean that in case of war our foothold there would be abandoned?

Secretary MEYER. Our great naval base would be Pearl Harbor.

The CHAIRMAN. How far is that from the Philippines? It is farther than it is from here, is not it?

Secretary MEYER. Farther than we are from the Philippines?

The CHAIRMAN. Yes.

Secretary MEYER. No, indeed. Pearl Harbor is about 5,500 miles from the Philippines.

The CHAIRMAN. Pearl Harbor is how far from the Philippines?

Mr. McKINLEY. It is about 6,000 miles.

The CHAIRMAN. I was thinking that it was at least that.

Secretary MEYER. The idea is that with the fleet intact no foe would dare land masses of troops hundreds or thousands of miles from their base until our fleet was destroyed; and with our fleet intact we are a greater source of strength to the Philippines, even if it is as far off as Pearl Harbor than we would be to have part of it in Manila Bay, waiting to be joined by another part which might be separated from it.

The CHAIRMAN. That is a matter of strategy about which I know nothing; I must admit.

Secretary MEYER. While we keep our fleet together, and keep it up to the highest efficiency, it is an insurance against attack.

The CHAIRMAN. Are there any other questions, gentlemen, that any of you wish to ask?

Secretary MEYER. I have made the first hearing quite complete, in order that it might be a source of information and reference for the members of the committee, in line with what they asked me, and therefore if they can find the time to review it, I think it will give them a good deal of information. I have not gone into the question of the books or the keeping of the books, because that belongs to an

expert accountant, who is the Paymaster General, and I have suggested and recommended that the chairman send for the Paymaster General.

The CHAIRMAN. You have answered those questions that we asked you the other day toward the close of the session?

Secretary MEYER. Yes; as I recall it, I have answered all the questions you asked me, except such as referred to the books, and I have suggested that you send for the Paymaster General in connection with that.

Mr. MILLER. It does occur to me, Mr. Chairman, to ask the Secretary if he is aware of any existing law that might be changed, or any feature of the organization of his department that might be changed, or rather that he would recommend to be changed, that would result in increased economy? I understand that you have made a careful and rigid examination at the department in the effort to ascertain if there was some economy that might be worked.

Secretary MEYER. Congress has authorized, as I told you, a better system of accounting, which has allowed us to keep a system of double-entry and furnish trial balances. It has also allowed us to consolidate our stores into one store account, and enabled us to abolish the naval supply fund and turn into the Treasury \$2,700,000. By the establishment of aids who are appointed at the head of four logical divisions, which I enumerate as operations of the fleet, material, personnel, and inspection, it has enabled us to expedite business, to establish economies, and to increase efficiency. That has not been made statutory, and it would be a great advantage to have it statutory. I also recommended the abolishment of one bureau, as its work has been divided among the various bureaus where it logically belongs.

Mr. MILLER. Which bureau was that?

Secretary MEYER. The Bureau of Equipment; and it would be advantageous if it could be abolished by law. We are now working with experts on scientific shop management, and they are to make me a report before the end of the month. It is quite possible that I shall come with some recommendation as to navy-yard management, but that is not yet formulated. The reason I urge that the aids be made statutory is that it has been demonstrated that they are so useful, acting as the eyes and the ears of the Secretary, and keeping him informed, that any Secretary of the Navy would hesitate before abolishing them, because he would immediately be at sea as to getting information, except what was in the interest of one bureau or another.

The CHAIRMAN. Mr. Secretary, I do not know that we can make any intelligent inquiry along this line, but possibly you might give us some information that would be worth our consideration here. Concerning the active pay and allowances drawn by the retired officers of the Navy assigned to duty in Washington, you gave us two periods here, one from 1896 to 1901, and the other from 1906 to 1911. Now, it appears from that that the increase of active pay and allowances over retired pay for the first period was \$13,133, and for the second period of the same length of time, embracing these later years, that the excess or increase of active pay was \$145,000, which seems to be over 10 times that amount?

Secretary MEYER. That is because the law allowing retired officers to be employed began in 1900, so there was only one year under the

act and during the Spanish War in the first period when they were employed to five years in the second. If I may make a remark here, that question is solving itself. Congress passed the law that all retired officers should no longer have active duty after the 1st of July, 1912, but allowed it for 12 years. When I went into the department as Secretary I think I found about 130 or 140 retired officers drawing pay on the active list, or drawing the pay of an active officer. I have reduced that now, so that on the 1st of July there will be but 18.

The CHAIRMAN. Instead of 140?

Secretary MEYER. Yes.

The CHAIRMAN. That would mean—

Secretary MEYER (interposing). And on the 7th of June of next year, under the law there will be none.

The CHAIRMAN. Which means not a large sum of money to the Navy of the United States, but a proportionately large increase.

Secretary MEYER. That matter is solving itself. I have reduced it every quarter, and shall reduce it so that very soon there will be none receiving the pay of the active list. The need for the services of retired officers is decreasing constantly.

The CHAIRMAN. You will see that that refers to those employed in this department here? That only gives the increase from \$13,000 to \$145,000, and the retired pay here is equally large, proportionately.

Mr. DOREMUS. What page is that?

The CHAIRMAN. In this hearing, page 26. That, I understand you to say, will be corrected by force of law in the next year?

Secretary MEYER. I have recognized that law ever since I came in, and have reduced the number of officers on the active list every quarter.

The CHAIRMAN. What is the real reason why there is a tendency to increase that number?

Secretary MEYER. The tendency is just in the other way—toward decreasing it.

The CHAIRMAN. I suppose you mean decreasing the number of active officers?

Secretary MEYER. No; decreasing the number of retired officers who are put on active pay temporarily.

The CHAIRMAN. That is the policy, but this sheet seems to indicate that the last five years have been more prolific—

Secretary MEYER. Yes; but not for the last two years. However, the first period of five years really represents only one year, under the law of June 7, 1900, and a part of the year during the Spanish War, when retired officers were employed.

The CHAIRMAN. I do not know whether this gives the periods. I think maybe it does when we get over here further.

Secretary MEYER. They were short of officers before, you know, but we are a little better off now.

The CHAIRMAN. Was there not also a tendency, through demands, that they got these favored positions?

Secretary MEYER. Yes. Only this morning a Congressman came to me and asked me, as a favor, to keep a certain retired officer on for three or four or six months more. I said, "I can not do it. The policy is just the other way." That is the way it has been done. Some officers have a favored friend.

The CHAIRMAN. It has seemed to me that it has been gained by favor and by persistence.

Secretary MEYER. That is the way I read the law, and the effort of the Secretary has been to reduce that.

The CHAIRMAN. However much the effort might be in that way, sometimes you would not be able to carry it out, I expect.

Secretary MEYER. I think you will find that I have reduced the number each quarter for the last two years, so that the 1st of next July there will be but 20, and the 1st of the following July there will be none.

The CHAIRMAN. It was suggested to us in looking over this list—I do not know that I ought to go into this, and I will not, if some of the other members of the committee want to go into some other question—to inquire why the total pay during these first five years named should have run so much under the total pay for the last five years.

Secretary MEYER. The pay is regulated by Congress each year. But in the first period of five years retired officers were on duty only for about one year under the act and during the Spanish War. That is why it is so small.

The CHAIRMAN. Unless there were an increase of officers or official positions, it looks difficult to understand the great increase in the total pay here.

Secretary MEYER. Any details of that nature the Paymaster General will have at his disposal.

Mr. DOREMUS. Mr. Chairman, is there anything in this statement that shows the increase in the retired list?

The CHAIRMAN. I do not believe there is. You mean the increase in the officers of the retired list who are drawing pay here in the offices of Washington?

Mr. DOREMUS. I mean in the number on the retired list.

The CHAIRMAN. No. That would not come within the line of the investigation that we have undertaken, which is to inquire into the expenditures in Washington.

Secretary MEYER. I do not suppose there could be any jurisdiction over the retired officers. When they retire at the age of 62, and they retire also for other causes, their pay is fixed by law, and it so remains until they depart this world.

The CHAIRMAN. They are not assigned to any particular station? We are inquiring as to Washington now.

Secretary MEYER. That shows there what retired officers are used on the active list; and, as I stated, on the 1st of July I shall have it reduced to 18 or 20.

The CHAIRMAN. And there are 140 now.

Mr. DOREMUS. You are speaking of those who are on the retired list, who draw the pay of an active officer?

Secretary MEYER. No. When I became Secretary there were 140, that is, two years ago. Then there are those on the retired list who just receive their retired pay. That has been fixed by law.

The CHAIRMAN. I suppose it would not take any length of time to get a list of those, would it?

Secretary MEYER. No, sir. It will be found in the Navy Register of January 1, 1911, starting page 134.

The CHAIRMAN. I expect you have it already compiled and published.

Mr. DOREMUS. I understand from your statement that the number of officers upon the retired list is regulated entirely by statute?

Secretary MEYER. Yes, sir; regulated by laws governing retirement, but there is no fixed number.

The CHAIRMAN. And I presume you have a list of them in the office there?

Secretary MEYER. The only difference in the pay of the retired officers is due to the various acts of Congress (p. 755, Pulsifer Yearbook) and to the act of June 7, 1900, stating that retired officers might be used on active duty, and while so used should receive the pay and allowances of an active officer.

The CHAIRMAN. That is the list we have here?

Secretary MEYER. That is the list we have been discussing. That same law provided that retired officers could be employed for a period of 12 years, or until June 7, 1912, and so after that date no retired officer should be allowed to do active duty and receive active pay.

The CHAIRMAN. Will that law, as you construe it, prevent this column here [indicating]? They have retired officers on active duty—shore duty—given full pay. That raises the payment to them to some extent. Then, in addition to that, here is a column of a great many allowances. Will that law prevent the retired officers from being employed and given the special allowances?

Secretary MEYER. As I understand it, it will entirely stop it unless the law is reenacted.

The CHAIRMAN. Those allowances amount here to a little over half of the total increase occasioned by retired officers being given active pay.

Secretary MEYER. I do not know what the allowance is. Probably it is considerable, although I can not answer that without looking it up.

The CHAIRMAN. The allowances amount to \$78,798, and the total increase of active pay and allowances over retired pay was \$145,406 for the last period of five years covered by these tables.

(The committee thereupon adjourned until to-morrow, Tuesday, June 20, 1911, at 10 o'clock a. m.)

No. 4

HEARINGS

BEFORE THE

COMMITTEE ON EXPENDITURES IN THE
NAVY DEPARTMENT

OF THE

HOUSE OF REPRESENTATIVES

ON

HOUSE RESOLUTION NO. 109

TO INVESTIGATE THE EXPENDITURES IN
THE NAVY DEPARTMENT

JUNE 20, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

EXPENDITURES IN THE NAVY DEPARTMENT.

[Committee room, room 119, House Office Building. Telephone 413. Meets on call.]

RUFUS HARDY, Texas, *Chairman*.

FRANK E. DOREMUS, Michigan.

WILLIAM B. MCKINLEY, Illinois.

JOHN M. FAISON, North Carolina.

HENRY McMORRAN, Michigan.

CHARLES F. BOOHER, Missouri.

CLARENCE B. MILLER, Minnesota.

BEN L. PRINCE, *Clerk*.

11

EXPENDITURES IN THE NAVY DEPARTMENT.

COMMITTEE ON EXPENDITURES IN THE NAVY DEPARTMENT, *Tuesday, June 20, 1911.*

The committee this day met, Hon. Rufus Hardy (chairman) presiding.

TESTIMONY OF MR. THOMAS E. TRAZZARE.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Trazzare, what position do you hold in the navy yard?

Mr. TRAZZARE. Carpenter and joiner.

The CHAIRMAN. How long have you been in that position, in the employ of the Government in the navy yard?

Mr. TRAZZARE. About a little over four years.

The CHAIRMAN. What was your salary four years ago?

Mr. TRAZZARE. Third class.

The CHAIRMAN. What was the pay?

Mr. TRAZZARE. \$3.28.

The CHAIRMAN. There have been some statements made here in reference to a boat of Mr. Merriam's. He is the general storekeeper?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Being repaired in the cellar of store No. 2?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. You did the work on that boat?

Mr. TRAZZARE. I did some of it.

The CHAIRMAN. When was the boat put in the cellar there for work?

Mr. TRAZZARE. I can not give the exact time; some time a little over a year ago, spring a year ago.

The CHAIRMAN. Over a year ago?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. How long was that after Mr. Merriam became general storekeeper?

Mr. TRAZZARE. He was not the general storekeeper there.

The CHAIRMAN. What was his position then?

Mr. TRAZZARE. Assistant.

The CHAIRMAN. How long was it after that before he became the general storekeeper?

Mr. TRAZZARE. I could not answer that; I do not remember. It might have been three or four months, perhaps.

The CHAIRMAN. Who was the storekeeper at the time his boat was first put in there?

Mr. TRAZZARE. Mr. Martin.

The CHAIRMAN. You began work on the boat as soon as it was put in there?

Mr. TRAZZARE. Well, I do not know about that; I can not remember that.

The CHAIRMAN. What was it it put in there for?

Mr. TRAZZARE. Why, it was put in there to have the seats put in and the engine. It came without any seats or engine. The engine was boxed up and came from San Francisco, if I remember right.

The CHAIRMAN. Was that boat just knocked down when it came there?

Mr. TRAZZARE. No, sir; it was all complete except the inside work.

The CHAIRMAN. It was not folded up or knocked down and had to be put up?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. It was in complete form when put in there?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. But it had seats to be put in?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Anything else?

Mr. TRAZZARE. Part of the lining boards on the inside.

The CHAIRMAN. How long did you work on it, Mr. Trazzare?

Mr. TRAZZARE. I worked at different times on it, when I did not have other work to do. I gave Mr. Merriam an estimate of the time I was on it. If I remember right, four days and one-half.

The CHAIRMAN. Four and a half days?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Mr. Trazzare, were you not at work on that boat at different times more than that?

Mr. TRAZZARE. I was at work on it two months at different times, but that was my estimate of the time if I had worked steadily on it. I had so much other work that I could not work on it steadily.

The CHAIRMAN. When did you give him the estimate of four and one-half days?

Mr. TRAZZARE. I think when completed.

The CHAIRMAN. When did you complete it?

Mr. TRAZZARE. I do not know, sir.

The CHAIRMAN. How long was the boat in there?

Mr. TRAZZARE. I could not say; in there for some time.

The CHAIRMAN. Four and a half days. What was your pay at the time you made that estimate?

Mr. TRAZZARE. Why, second-class pay. I can not remember just exactly that the amount was—\$3.52.

The CHAIRMAN. Was that after he became general storekeeper that you gave him the estimate?

Mr. TRAZZARE. I am not positive about that, whether it was after or before.

The CHAIRMAN. You do not know?

Mr. TRAZZARE. Pretty near the time.

The CHAIRMAN. You do not know whether the boat was taken out and you quit working on it before he was storekeeper or not?

Mr. TRAZZARE. I am not clear about that.

The CHAIRMAN. How long after Mr. Merriam became storekeeper was it before your pay was raised?

Mr. TRAZZARE. I do not know, sir. My pay was not raised at all after he was made storekeeper.

The CHAIRMAN. Was it raised before he was storekeeper to what you are getting now?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. What are you getting now?

Mr. TRAZZARE. \$3.76.

The CHAIRMAN. Your rate of work must have been at \$3.76 if it was turned in after he was the storekeeper?

Mr. TRAZZARE. That might be true.

The CHAIRMAN. Either \$3.52 or \$3.76; you do not know?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Who did work on this boat besides yourself?

Mr. TRAZZARE. Mr. Merriam and Paymaster Hagner. They were down there at different times.

The CHAIRMAN. Mr. Merriam did work himself on the boat?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. What other work besides fixing the inside was done?

Mr. TRAZZARE. What other work?

The CHAIRMAN. Besides the work you did?

Mr. TRAZZARE. I think Mr. Merriam and Mr. Hagner worked more on the engine than anyone else.

The CHAIRMAN. Was the boat painted?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Who painted it?

Mr. TRAZZARE. It had been painted before it came in there.

The CHAIRMAN. I suppose that if the boat was being repaired it had been painted at some time?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Had it any paint after it came in there?

Mr. TRAZZARE. Yes, sir; two coats of paint.

The CHAIRMAN. Who put the paint on?

Mr. TRAZZARE. I painted it.

The CHAIRMAN. You are a painter as well as a carpenter?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. No one else did any work on the painting?

Mr. TRAZZARE. No, sir. There might have been some electrician, I think, who connected up the engine. That is about all.

The CHAIRMAN. Nobody else did any painting on it except you?

Mr. TRAZZARE. No, sir; I think not; I do not remember.

The CHAIRMAN. I understood you to say that you got your raise before Mr. Merriam came in as storekeeper?

Mr. TRAZZARE. In the first place, I got it a year or two before he came.

The CHAIRMAN. When did you get the last raise?

Mr. TRAZZARE. Last spring a year, some time; I can not say.

The CHAIRMAN. What class do you hold now?

Mr. TRAZZARE. First class.

The CHAIRMAN. Four years ago, I believe, you stated that you were third class?

Mr. TRAZZARE. Yes, sir; I went in as third class and I should have been promoted up to second class six months after I went in.

The CHAIRMAN. Mr. Trazzare, did you not get the raise that you had expected and had not gotten shortly after you commenced work on the boat?

Mr. TRAZZARE. I can not remember that.

The CHAIRMAN. You do not know when you got your raise to second class?

Mr. TRAZZARE. It was after Mr. Merriam came there, but I do not know when.

The CHAIRMAN. When did you get the second raise—the same year as the first one?

Mr. TRAZZARE. That is what I thought you were just talking about.

The CHAIRMAN. You went there on third-class pay?

Mr. TRAZZARE. Yes, sir. I was promoted to second class about a year before Mr. Merriam came there, if I remember right.

The CHAIRMAN. What was the pay of second class?

Mr. TRAZZARE. \$3.52.

The CHAIRMAN. Then you were promoted to first class about the time he became storekeeper, but you do not know whether it was before or after?

Mr. TRAZZARE. It was before; I am positive.

The CHAIRMAN. That you went to first class?

Mr. TRAZZARE. Yes, sir. Mr. Martin had promised it for some time before Mr. Merriam came there.

The CHAIRMAN. You do not know how long, you just worked at different times, and you made a general estimate of four and a half days for your work?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Who put the engine in?

Mr. TRAZZARE. I helped Mr. Merriam to put the engine in, Mr. Merriam, Mr. Hagner, and myself. There was not much to do, just bolt it down to the bottom of the boat.

The CHAIRMAN. There were just two coats of paint put on it?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Did you not have a good many new parts to make for the boat?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. The boat did not have to be put together?

Mr. TRAZZARE. No, sir. As I understood, it was towed around from Seventh Street Wharf.

The CHAIRMAN. Were there two or three coats of paint put on the boat?

Mr. TRAZZARE. Two coats.

The CHAIRMAN. Are you sure of that?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Do you know how much paint you used?

Mr. TRAZZARE. It is a small boat, I do not suppose that it took more than a quart of paint for that boat; it did not take that much.

The CHAIRMAN. Do you know how much material you used?

Mr. TRAZZARE. No, sir; I do not.

The CHAIRMAN. For the repairing of the boat and the other material?

Mr. TRAZZARE. The lumber?

The CHAIRMAN. Yes, sir.

Mr. TRAZZARE. I think the quantity I gave him was 80 feet of No. 2 spruce.

The CHAIRMAN. Have you any idea how long it took you and the other men to put the engine in the boat?

Mr. TRAZZARE. No; I do not suppose it was more than two or three hours' work.

The CHAIRMAN. Do I understand you to say that nobody worked on that boat excepting you, Mr. Hagner, and Mr. Merriam, either in putting the engine in or the painting?

Mr. TRAZZARE. The electrician connected it up.

The CHAIRMAN. Who was the electrician?

Mr. TRAZZARE. I do not know, sir.

The CHAIRMAN. Who was Mr. Hagner?

Mr. TRAZZARE. A paymaster in the Navy.

The CHAIRMAN. Was he interested in the boat?

Mr. TRAZZARE. No, sir; no more than friendship for Mr. Merriam.

The CHAIRMAN. So you do not know just when you got your last raise?

Mr. TRAZZARE. I do not. The records will show.

The CHAIRMAN. Do you know how long it had been since you had a raise before that?

Mr. TRAZZARE. I think about a year, if I remember.

The CHAIRMAN. Do you know what the spruce cost that you put in the boat; 80 feet, I believe you said?

Mr. TRAZZARE. Yes, sir. It was some lumber that I made requisition for and bought about four or five thousand feet from Philadelphia to make boxes out of; \$32.75 a thousand.

The CHAIRMAN. So that was about \$3 worth of lumber, 80 feet?

Mr. TRAZZARE. A little less than \$3 worth. I can tell you in a minute, if you want to know.

The CHAIRMAN. I think you will find that it is about \$3.

Mr. TRAZZARE (after making calculation). \$2.62.

Mr. MILLER. Just ordinary inch boards?

Mr. TRAZZARE. Yes, sir; dressed.

Mr. MILLER. Where did you buy it?

Mr. TRAZZARE. In Philadelphia, under contract.

The CHAIRMAN. \$2.62?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Did you use any lumber for Mr. Merriam anywhere else except on that boat?

Mr. TRAZZARE. No, sir; except in the house. I used some in the house.

The CHAIRMAN. At the house?

Mr. TRAZZARE. Yes, sir. That does not belong to him.

The CHAIRMAN. How much lumber did you use in the house?

Mr. TRAZZARE. I do not know. I put in some shelves in the closets. I did not keep any account of that; that was Government work.

The CHAIRMAN. Whom did you do that for?

Mr. TRAZZARE. The Government.

The CHAIRMAN. At whose request?

Mr. TRAZZARE. Mr. Merriam's.

The CHAIRMAN. You, then, in addition to fixing the boat, furnished some lumber from the yard for fixing his house. You do not

know whether the Government had to repair his house or whether he repaired it himself?

Mr. TRAZZARE. The Government furnishes quarters for all the officers down there.

The CHAIRMAN. The house down there?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. You do not know how much lumber you furnished for that?

Mr. TRAZZARE. No, sir; I did not keep any account.

The CHAIRMAN. Was it drawn at the store?

Mr. TRAZZARE. No, sir; lumber kept in stock.

The CHAIRMAN. Where did you get it?

Mr. TRAZZARE. I just told you that I bought it from Philadelphia.

The CHAIRMAN. Do you not keep any account of the lumber used when you use it?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. You just get it and use it on odds and ends and make no account?

Mr. TRAZZARE. Yes, sir; it is bought for that purpose.

The CHAIRMAN. You say there was how much bought?

Mr. TRAZZARE. I do not remember—five or six thousand feet.

The CHAIRMAN. You said "bought for that purpose." What purpose?

Mr. TRAZZARE. For general purposes.

The CHAIRMAN. Who bought it?

Mr. TRAZZARE. The Bureau of Supplies and Accounts.

The CHAIRMAN. Who was it charged to when put into your shop?

Mr. TRAZZARE. Charged to the Bureau of Supplies and Accounts.

The CHAIRMAN. Did anybody have any control over where it went and how it was used? You just used it for anything that some one called for?

Mr. TRAZZARE. For anything that I had to do, anything that my work called for.

The CHAIRMAN. And never made any accounting to anybody?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. Did you draw it out of the Bureau of Supplies and Accounts on a stub?

Mr. TRAZZARE. Bought it by requisition.

The CHAIRMAN. From whom?

Mr. TRAZZARE. From the Bureau of Supplies and Accounts.

The CHAIRMAN. For what?

Mr. TRAZZARE. For general work, making boxes and shelves.

The CHAIRMAN. How much of that lumber and stuff do they buy in that yard, which is never accounted for afterwards?

Mr. TRAZZARE. I can not answer. It is used until it is gone and then we buy more. We make a great many packing boxes and the lumber is bought for that purpose, for making shelving and file cabinets, and anything that is necessary.

The CHAIRMAN. What kind of packing boxes are you speaking of?

Mr. TRAZZARE. Boxes to ship supplies to other navy yards and to the ships.

The CHAIRMAN. And you never make any account, except when it is gone you go and get some more?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. You do not know how much of that stuff there is bought or used in that yard?

Mr. TRAZZARE. Sometimes I draw lumber from the lumber department in the yard there for work I have to do.

The CHAIRMAN. And when you do, you never account for it?

Mr. TRAZZARE. We give a stub for that.

The CHAIRMAN. When you draw from the yard you give a stub as coming to the carpenter's department?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. You never afterwards give any account of where it went to?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. Does your carpenter business come sometimes from a general requisition from the Bureau of Supplies and Accounts, just a lump sum turned over to you in that way, that this particular lumber came from somewhere and had to be accounted for?

Mr. TRAZZARE. It is bought on requisition, the same as any other material bought in the yard. It is all for the Bureau of Supplies and Accounts, and it is used in supplies and accounts work.

The CHAIRMAN. But never accounted for?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. What is to prevent you or anybody else from using it for your private use without accounting for it?

Mr. TRAZZARE. I do not know that there is any.

The CHAIRMAN. How much of this have you in the shop that can be used for anything you want without accounting for it?

Mr. TRAZZARE. Now?

The CHAIRMAN. Generally on hand?

Mr. TRAZZARE. Sometimes it goes down to three or four hundred feet and we make another requisition. We usually buy about five or six thousand feet at once, but there is other work I do around the yard that I do not use this particular lumber for, and that I get from the regular lumber department there.

The CHAIRMAN. You do not have any idea how much of that lumber not accounted for is bought in a year?

Mr. TRAZZARE. I have not bought any this year.

The CHAIRMAN. At the time you bought this, you say that there were 5,000 or 6,000 feet bought?

Mr. TRAZZARE. Yes, sir; that was last year.

The CHAIRMAN. Was that all turned over to you?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. And it went out without any accounting?

Mr. TRAZZARE. It was always been the custom ever since I have been there to work it in that way.

The CHAIRMAN. You can not give any idea how much of such material generally is put each year in your shop?

Mr. TRAZZARE. I buy about once a year usually, I have not bought any this year, because I have not had so much of that kind of work to do, being busy on other work.

The CHAIRMAN. Do you know what day of the year you first commenced work on that boat?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. And when you quit?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. Where is the boat now?

Mr. TRAZZARE. Down at the navy yard.

The CHAIRMAN. In your shop there?

Mr. TRAZZARE. It is not in my shop; it is in the other end of the building.

The CHAIRMAN. What is it doing there now?

Mr. TRAZZARE. It has been laying there a long time.

The CHAIRMAN. It has not been used in a long time?

Mr. TRAZZARE. No, sir. I think he only used it twice.

The CHAIRMAN. Did the paymaster ever tell you to get the boat out of the way, that the place was overcrowded?

Mr. TRAZZARE. Did he ever order it out?

The CHAIRMAN. Yes, sir.

Mr. TRAZZARE. Not to my knowledge.

The CHAIRMAN. The boat is down there now?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. You do not know anything about its being ordered taken out?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. Was it not taken out once on the order of the commandant and brought back to have some work done by you?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. You do not know of its being taken out by order of the commandant?

Mr. TRAZZARE. I do not know anything about that. He took it out and put it in the water. I never heard of it being taken out by order of the commandant.

The CHAIRMAN. And then brought back?

Mr. TRAZZARE. It was brought back last fall when it was cold weather.

The CHAIRMAN. You have not done any more work on it?

Mr. TRAZZARE. I calked up the seams below the water line some time ago; I had a misunderstanding about that.

The CHAIRMAN. That is what I wanted to know; if you had done any work since it came back?

Mr. TRAZZARE. I understood Mr. Merriam wanted me to calk it, but he said he had made arrangements with somebody else to calk it. It is a small boat.

The CHAIRMAN. I understand.

Mr. TRAZZARE. The seams below the water line. After it came up there and stood in a hot place it shrunk.

The CHAIRMAN. Did you calk it?

Mr. TRAZZARE. I calked it some time ago.

The CHAIRMAN. When was that?

Mr. TRAZZARE. I suppose a month or so ago.

The CHAIRMAN. How long did it take you to do that?

Mr. TRAZZARE. Two or three hours' work.

The CHAIRMAN. You say that you understood Mr. Merriam wanted you to calk it, but that there was a misunderstanding?

Mr. TRAZZARE. Yes, sir; he said he had made arrangements with another man to calk it.

The CHAIRMAN. When did you give him the estimate of the amount of days you had worked on the boat?

Mr. TRAZZARE. About the time the boat was completed; I can not say.

The CHAIRMAN. That was before it was taken out and put in the water or before it was brought together?

Mr. TRAZZARE. Yes, sir. I understand that he had a deposit up at the commandant's office or the pay office for repairs to the boat, and he asked me for an estimate of the time and the material used on it.

The CHAIRMAN. You understood that he had a deposit?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Did he tell you anything about it?

Mr. TRAZZARE. I do not remember whether he or who; somebody told me.

The CHAIRMAN. When did you understand about the deposit?

Mr. TRAZZARE. When I was working on the boat.

The CHAIRMAN. You would not have hesitated on the question of whether he had a deposit up or not?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. You do not know why they told you he had a deposit?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. And you state that there was no other person working on the boat except you, Mr. Hagner, and Mr. Merriam?

Mr. TRAZZARE. I said the electrician worked on it, connecting it up.

The CHAIRMAN. How long was he at work?

Mr. TRAZZARE. I do not know.

The CHAIRMAN. Have you not some idea; you were there?

Mr. TRAZZARE. I was not there all the time. I was only there occasionally, when I was not on some other work.

The CHAIRMAN. How long was he there with you?

Mr. TRAZZARE. I could not say; I have not any idea. It has been over a year ago.

The CHAIRMAN. Who made the propeller for the boat?

Mr. TRAZZARE. I do not know.

The CHAIRMAN. Was not the propeller made in the shop or in the yard?

Mr. TRAZZARE. I do not think it was. I think it came there boxed up with the engine, if I am not mistaken.

The CHAIRMAN. You did most of the fixing up and you ought to know whether the propeller came there.

Mr. TRAZZARE. That is over a year ago, and I had no occasion to remember all those things.

The CHAIRMAN. Did you not do all there was about that boat, and you do not know whether the propeller came there?

Mr. TRAZZARE. I am most positive that the propeller came there boxed.

The CHAIRMAN. Most positive?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Do you not know?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. Who made the anchor; what about the anchor?

Mr. TRAZZARE. I did not know that it had any anchor. I never saw any anchor.

The CHAIRMAN. You do not know anything about that?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. How many days did you work on Mr. Merriam's automobile?

Mr. TRAZZARE. How many days?

The CHAIRMAN. Yes, sir.

Mr. TRAZZARE. I did not work any whole days.

The CHAIRMAN. You never did any work on it?

Mr. TRAZZARE. I worked and put in a panel.

The CHAIRMAN. What is that?

Mr. TRAZZARE. The front panel over the front end of it; a board about that long [indicating] and about 12 inches wide.

The CHAIRMAN. How long did it take you to do that?

Mr. TRAZZARE. About three-quarters of a day.

The CHAIRMAN. Did you work on an electric runabout?

Mr. TRAZZARE. That is it.

The CHAIRMAN. He did not have any gasoline automobile, anything but an electric?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. Was it painted or any other work done on it besides what you did?

Mr. TRAZZARE. I think the Yards and Docks man painted it.

The CHAIRMAN. What is his name?

Mr. TRAZZARE. Gosnell.

The CHAIRMAN. Mr. Trazzare, did you not paint that automobile, put two or three coats on it and find that it was not satisfactory, and then was it not painted a second time by a regular painter? Did you not first paint it and afterwards was it not painted by somebody else?

Mr. TRAZZARE. Another time.

The CHAIRMAN. The first time did you not paint it once?

Mr. TRAZZARE. I gave it one coat of paint.

The CHAIRMAN. With any kind of a vehicle like that, did you ever know of anybody trying to put one coat on?

Mr. TRAZZARE. That is all he wanted on it.

The CHAIRMAN. It must have been a horrible looking thing?

Mr. TRAZZARE. That is what I told him. You could not expect anything else.

The CHAIRMAN. You did put on one coat of paint besides the front?

Mr. TRAZZARE. I did not do it at that time.

The CHAIRMAN. At a different time?

Mr. TRAZZARE. Yes, sir. I had forgotten that.

The CHAIRMAN. The painting of an automobile is a sort of a particular job, is it not?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. You tried to do something to it, you did not just smear it on?

Mr. TRAZZARE. Yes, sir; I am not a painter.

The CHAIRMAN. You think that you just simply put one coat on?

Mr. TRAZZARE. That is what I did.

The CHAIRMAN. And it was taken out and brought back?

Mr. TRAZZARE. Yes, sir; brought back to get the panel put in.

The CHAIRMAN. Then it was repainted?

Mr. TRAZZARE. Yes, sir; but it was not painted there.

The CHAIRMAN. Who painted it the second time?

Mr. TRAZZARE. Gosnell.

The CHAIRMAN. How long was that after you put the panel in?

Mr. TRAZZARE. Some time, if I remember right.

The CHAIRMAN. Was this new panel put in and the whole thing painted over?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. It was not in your shop, but in Gosnell's or the paint shop?

Mr. TRAZZARE. It was in my shop to get the panel put in and taken to Gosnell's shop to be painted.

The CHAIRMAN. Was it painted with a pretty good finish that time?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Do you know how long it took to paint it then?

Mr. TRAZZARE. No, sir; I suppose it took five or six weeks to paint it; that it took that much time, but the man was not working on it but very little during that time. He would put a coat of paint on and then had to wait for it to dry, and so on.

The CHAIRMAN. I do not know what sort of a job that was, but painting a vehicle of that kind is a particular job and takes a long time?

Mr. TRAZZARE. It takes a good deal longer to wait for it to dry than to do the work; the work is a small part of it.

The CHAIRMAN. The painting of a vehicle of that kind is pretty expensive?

Mr. TRAZZARE. Not very expensive.

The CHAIRMAN. Was this vehicle painted decently?

Mr. TRAZZARE. Fairly so.

The CHAIRMAN. Did you do any work on furniture for Mr. Merriam, furniture brought by him here, little and big pieces at his house?

Mr. TRAZZARE. I unpacked a set of furniture for him and cleaned it up and put it together.

The CHAIRMAN. When was that?

Mr. TRAZZARE. Last fall.

The CHAIRMAN. How many days did you spend at his house, making shelves and fixing the furniture?

Mr. TRAZZARE. I did not do any fixing of furniture in his house.

The CHAIRMAN. The fixing or mending of furniture?

Mr. TRAZZARE. Occasionally a chair is brought down to be repaired.

The CHAIRMAN. Did you not go to the house and do some work?

Mr. TRAZZARE. I did some work, as I told you before.

The CHAIRMAN. On furniture?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. What work did you do?

Mr. TRAZZARE. I believe I did do some work on one large chair in the house.

The CHAIRMAN. You do not know how much lumber you used in the work?

Mr. TRAZZARE. No, sir; I might have an idea.

The CHAIRMAN. Give us an idea?

Mr. TRAZZARE. Between 50 and 100 feet, I suppose, for shelves.

Mr. CHAIRMAN. Did you work on Mr. Merriam's buggy any?

Mr. TRAZZARE. I did not know he had one.

The CHAIRMAN. You never worked on that?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. That is all.

Mr. MILLER. What was the length of this boat?

Mr. TRAZZARE. I do not know that I measured it. I judge 16 or 18 feet; a very small gasoline boat.

Mr. MILLER. What was the horsepower of the engine?

Mr. TRAZZARE. I do not know that I am familiar with that.

Mr. MILLER. Do you know the make of the engine?

Mr. TRAZZARE. No, sir. I heard him say a man in San Francisco made the engine. He said it was used in a motor boat in San Francisco.

Mr. MILLER. Was it an open boat or did it have a deck?

Mr. TRAZZARE. It was an open boat.

Mr. MILLER. All you did was to put in the seats and fasten in the engine?

Mr. TRAZZARE. Put in the seats and put some lining boards on the sides.

Mr. MILLER. All around the hull of the boat?

Mr. TRAZZARE. On the side.

Mr. MILLER. Just one?

Mr. TRAZZARE. Just covered up the ribs. It was apparently done when it came in there and I finished it up.

Mr. MILLER. When you did this work on the automobile did you send in an estimate as to the amount of time?

Mr. TRAZZARE. I do not remember about that; I think I did. I am pretty sure.

Mr. MILLER. Did you also send in an estimate of the wood and material that went into the vehicle?

Mr. TRAZZARE. I am not positive.

Mr. MILLER. Have you any records there to show that?

Mr. TRAZZARE. No, sir.

Mr. MILLER. You keep no records at all?

Mr. TRAZZARE. I keep a record of the stuff shipped away, that is all.

Mr. MILLER. Occasionally they brought furniture from Mr. Merriam's house down to your shop to be repaired?

Mr. TRAZZARE. That is the quarters' furniture and I considered that Government work.

Mr. MILLER. We do not care what you considered it, did you do it?

Mr. TRAZZARE. What?

Mr. MILLER. Did they send furniture down and did you repair it in the way you have indicated on several occasions?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. Did the other officers have the same privileges to have furniture repaired in the same way?

Mr. TRAZZARE. I think they did.

Mr. MILLER. We are asking for positive information.

Mr. TRAZZARE. I do not come under the other officers. Our bureau is a different bureau. They have their work done in different bureaus.

Mr. MILLER. For instance, the commandant there?

Mr. TRAZZARE. Yards and Docks, I think, take care of his place.

Mr. MILLER. And the paymaster stationed at the yard?

Mr. TRAZZARE. The pay office.

Mr. MILLER. What is his rank?

Mr. TRAZZARE. I do not know.

Mr. MILLER. He is an officer?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. Who takes care of his furniture?

Mr. TRAZZARE. I do not know.

Mr. MILLER. I wish you would tell us what you can about the custom prevailing there among the officers—we want to know the facts—of sending furniture down to have it repaired or having work done in the houses or on the vehicles; tell us all you know about it?

Mr. TRAZZARE. All I know is hearsay.

Mr. MILLER. Give it to us if it is pretty well authenticated and if you feel morally certain it is true.

Mr. TRAZZARE. I understand anybody who wanted work done in the yard could get it done at cost.

Mr. MILLER. Tell us how it is done.

Mr. TRAZZARE. An officer in the yard—I mean, in fact, those outside—the Midvale Steel Co. has some work done there, and I have heard of other people having work done.

Mr. MILLER. Does the Midvale Steel Co. get its work done there at cost?

Mr. TRAZZARE. I do not know. I understand they have a way of estimating on the work done there. They will estimate on the cost of labor and material, and, I think, they add 40 per cent for what they call overhead charges.

Mr. MILLER. Fixed charges?

Mr. TRAZZARE. Yes, sir; that is the rate, I think, officers pay for any work done.

Mr. MILLER. When they send furniture to you to repair——

Mr. TRAZZARE (interposing). I do not think they have to pay for that; that is Government furniture. The dwelling houses are furnished.

Mr. MILLER. Have you always acted for the other storekeepers since you have been there in the same way you have testified that you have acted for Mr. Merriam?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. Whenever they wanted work done they called upon you and you did it?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. And sometimes an estimate is made as to the cost of labor and material, although any work goes through which you think is Government work?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. When you glued the chair at the house did you make a special trip or do it in connection with other business?

Mr. TRAZZARE. I made a special trip. I had to carry the glue up there.

Mr. MILLER. A big iron chair?

Mr. TRAZZARE. Yes, sir; and unhandy to handle.

Mr. MILLER. How much time did that take?

Mr. TRAZZARE. Ten or fifteen minutes.

Mr. MILLER. How far is it from the shop to the house?

Mr. TRAZZARE. I guess 200 or 300 feet.

Mr. MILLER. The officers are required to furnish their own houses?

Mr. TRAZZARE. No, sir.

Mr. MILLER. Does the Government supply the furniture to furnish them?

Mr. TRAZZARE. Yes, sir; the Government is supposed to supply all the furniture. Mr. Merriam had a set of dining-room furniture that he bought in Japan, and he preferred to use that instead of the set that the Government furnished—mahogany furniture. This was a fancy carved set.

Mr. MILLER. What was the kind of furniture furnished by the Government—mahogany?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. He did not like that?

Mr. TRAZZARE. He wanted this other furniture because it was odd and made in Japan.

The CHAIRMAN. You say that the time it took you to finish that was only 10 or 15 minutes?

Mr. TRAZZARE. That one chair.

The CHAIRMAN. How many times have you been up there?

Mr. TRAZZARE. That is the only time, according to my recollection.

The CHAIRMAN. Then the whole time was 10 or 15 minutes?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. Could not Mr. Merriam have glued it together just as well as you could?

Mr. TRAZZARE. He did not have the appliances.

Mr. MILLER. What appliances did it take?

Mr. TRAZZARE. Glue and clamps, to clamp it up.

Mr. MILLER. Do you know of an ordinary man running a house who is not able to glue a chair? Could he not go to the drug store and buy glue?

Mr. TRAZZARE. The glue bought at a drug store is not much good. You have to have clamps to clamp it up tight or it will not hold.

Mr. MILLER. Referring back to the boat, you can not tell us the make of the engine?

Mr. TRAZZARE. No, sir.

Mr. MILLER. You can not tell us how it was fastened in the boat?

Mr. TRAZZARE. It was fastened with just four bolts.

Mr. MILLER. There is quite a little work connected with fixing an engine in a boat in connecting it with the propeller so that when the engine is operated there will be no friction and the whole thing shall move equally. You understand it has to be precisely accurate or it will not work at all. It can not be done in a short time and sometimes requires days.

Mr. TRAZZARE. No, sir.

Mr. MILLER. I have had some little experience with motor boats. Tell us how much work you did on that.

Mr. TRAZZARE. The end of the propeller stands about that way [indicating an incline of about 30°], and I made a block and set the engine on a block of oak which ran to nothing at one end and about 4 inches at the other, just long enough to clamp the engine down. That is a small matter. The engine was not more than that long [indicating].

Mr. MILLER. A pretty small engine?

Mr. TRAZZARE. A very small boat.

Mr. MILLER. Did you ever see the engine at work?

Mr. TRAZZARE. No, sir.

Mr. MILLER. You do not know whether the boat would run or not?

Mr. TRAZZARE. No, sir; I never saw it run. Mr. Merriam said he only used it twice. He brought it back and stored it away.

Mr. MILLER. At the time you painted the automobile, how long was that prior to the time that you put the panel in?

Mr. TRAZZARE. I do not know; it might have been four or five or six months.

Mr. MILLER. Some considerable time?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. Did you make an estimate of the cost of the labor?

Mr. TRAZZARE. I do not think I did.

Mr. MILLER. How long did that take you?

Mr. TRAZZARE. I do not know; perhaps half a day or three-quarters of a day.

Mr. MILLER. Where did you get the paint you used to paint it with?

Mr. TRAZZARE. I do not remember where I got it.

Mr. MILLER. Did you go to the store and buy it?

Mr. TRAZZARE. No, sir; I did not go to the store and buy it. I do not remember where the paint came from, whether I got it from Gosnell. I think I got it from some painter in the yard.

Mr. MILLER. It was Government paint you got?

Mr. TRAZZARE. I expect it was.

Mr. MILLER. There is no doubt about that?

Mr. TRAZZARE. No, sir.

Mr. MILLER. Did you make an estimate of the cost of that and hand it in?

Mr. TRAZZARE. No, sir.

Mr. MILLER. Why did you not make an estimate of either the cost of the labor or the paint?

Mr. TRAZZARE. It was a small matter and I thought it was not worth while to make an estimate.

Mr. MILLER. You did not think it was worth while?

Mr. TRAZZARE. No, sir; it did not amount to very much.

Mr. MILLER. Did Mr. Merriam say anything to you about putting in an estimate for either the labor or material for that piece of work?

Mr. TRAZZARE. I think not.

Mr. MILLER. How many different jobs like that can you recall that you did for Mr. Merriam or other storekeepers for which you handed in no estimate of the cost of the material; I mean, within the last couple of years?

Mr. TRAZZARE. I do not know of anything particular except making some packing boxes for shipping their books in, or something like that.

Mr. MILLER. Whose books?

Mr. TRAZZARE. Mr. Martin's.

Mr. MILLER. He was the old storekeeper?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. When did he leave, about a year ago?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. And you made boxes to ship his books in?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. Did you use Government lumber for that purpose?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. And how much lumber did it require?

Mr. TRAZZARE. It may have been a hundred feet.

Mr. MILLER. How many boxes did you make? They probably took more than 100 feet?

Mr. TRAZZARE. No, sir; I think not. They were small boxes.

The CHAIRMAN. Boxes like that [indicating]?

Mr. TRAZZARE. Yes, sir; something like that. You can not make a big box to put books in; they are too heavy.

Mr. MILLER. How much time did you spend on that work?

Mr. TRAZZARE. Half a day.

Mr. MILLER. All of them?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. Why did you not send in an estimate of that cost?

Mr. TRAZZARE. It was not asked for.

Mr. MILLER. Do I understand your custom is to send in an estimate only when the person for whom the work is done requests you to do so?

Mr. TRAZZARE. Yes, sir.

Mr. MILLER. And when they made no request you put in no estimate; and if a man asked you to do certain work and there was certain material, you felt that you had no duty to put in an estimate of either the cost of the work or the material unless you were requested?

Mr. TRAZZARE. No, sir.

Mr. MILLER. About how much of that kind of work do you do in a year?

Mr. TRAZZARE. Very little.

Mr. MILLER. These are not large items, but quite a good many of them?

Mr. TRAZZARE. I have been there four years and I have not been called on very often to do any of that kind of work. Mr. Martin was going away, going to move. I think all the officers down there when moving have to get the stuff packed up.

Mr. MILLER. That may be perfectly proper; we do not say it is not.

Mr. TRAZZARE. When they can they use old boxes, and when they can not we have to make them.

Mr. MILLER. Each year you have done for the storekeeper about the same quantity of work that you have testified you did this last year?

Mr. TRAZZARE. No, sir.

Mr. MILLER. You did more this last year?

Mr. TRAZZARE. More for Mr. Merriam than any other storekeeper, a great deal. I never worked on automobiles or boats for anybody else. Whenever there was anything to be done at the house I usually had to do that.

The CHAIRMAN. How did you happen to recall so definitely the number of days you turned in and your estimate of the work on the boat? That has been a long time ago.

Mr. TRAZZARE. Mr. Merriam asked me sometime ago to write out a statement.

The CHAIRMAN. How long ago?

Mr. TRAZZARE. Last week I think it was. He had a memorandum that I gave him.

The CHAIRMAN. Mr. Merriam had a memorandum that you gave him?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. What memorandum did he have beside the estimate of four and one-half days work?

Mr. TRAZZARE. The lumber it took.

The CHAIRMAN. He had a memorandum of the lumber and everything?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Are you sure you made that estimate until quite recently?

Mr. TRAZZARE. I made it when the work was done.

The CHAIRMAN. When was the work done?

Mr. TRAZZARE. More than a year ago.

The CHAIRMAN. Was that memorandum dated?

Mr. TRAZZARE. Yes, sir. Well, it was dated—I am not positive about that, but that is the time I made the estimate. As I stated before, he had a deposit, I understood, at the pay office or the commandant's office.

The CHAIRMAN. Did you not learn of the deposit at the pay office at the time you had the conversation with Mr. Merriam the other day?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. How came you to have a talk with anybody about this deposit?

Mr. TRAZZARE. I do not know; general talk.

The CHAIRMAN. Your estimate was four and one-half days' work; was that just an estimate or a guess?

Mr. TRAZZARE. An estimate of the time I thought it would take to do the work if I were to go ahead and work on the job until I got it done.

The CHAIRMAN. In fact, you did not keep any account of the time you were on the work?

Mr. TRAZZARE. No, sir; I just picked it out and put it down. I had so much other work to do. I did this between times, when I did not have anything else to do.

The CHAIRMAN. You have a pretty definite idea of what the material cost, amounting to \$18 and something?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Did you get that from the memorandum?

Mr. TRAZZARE. I had not counted up what my pay would be; I just counted the cost of the lumber awhile ago.

The CHAIRMAN. You got an idea of what your pay was at \$3.70 a day?

Mr. TRAZZARE. Either \$3.76 or \$3.52; I am not sure which.

The CHAIRMAN. And four days and a half?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. And 80 feet of lumber?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. You ran it up to \$18?

Mr. TRAZZARE. Yes, sir.

The CHAIRMAN. Did you not go over the memorandum when Mr. Merriam showed it to you the other day?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. When did he show you the memorandum?

Mr. TRAZZARE. He did not show it to me last week, he did not show me the account.

The CHAIRMAN. What did he show you?

Mr. TRAZZARE. He did not show me the account in dollars and cents.

The CHAIRMAN. You say it is necessary in that kind of work to put in the cost of labor and material and then add 40 per cent for overhead charges?

Mr. TRAZZARE. Yes, sir; I think that is the way they estimate on work in the yard.

The CHAIRMAN. Can you get \$18 out of that by taking the cost of the material in the way you speak of now and then adding 40 per cent for overhead charges?

Mr. TRAZZARE. No, sir; I do not believe you can.

The CHAIRMAN. It would run to something like \$20?

Mr. TRAZZARE. I believe it would.

The CHAIRMAN. And the custom is to estimate the cost of labor and material and then add 40 per cent?

Mr. TRAZZARE. That is the custom as I understand it. I am not positive. That is only hearsay. The way I get that idea is that sometimes our department wants some work done by some other department, and in making their estimate they estimate in that way.

The CHAIRMAN. Then, as I understand it, this \$18 memorandum of expenses of the boat repairing, and so forth, would just about cover your labor at the price you were paid and the material without allowing anything for overhead charges?

Mr. TRAZZARE. There are no overhead charges in our department. That is, I never heard of any in our department.

The CHAIRMAN. When your department does work for another department, you just put in the cost?

Mr. TRAZZARE. We do not do any work for any other department.

The CHAIRMAN. You do not have the overhead charges in your department?

Mr. TRAZZARE. No, sir.

The CHAIRMAN. And you would not add the 40 per cent?

Mr. TRAZZARE. I think not.

The CHAIRMAN. Why should it not be added in in your department as well as in the other departments?

Mr. TRAZZARE. I do not know, except that we do not do any work for any other department.

The CHAIRMAN. We will excuse you, Mr. Trazzare.

TESTIMONY OF MR. W. T. GOSNELL.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What position do you occupy at the navy yard?

Mr. GOSNELL. Letterer and grainer.

The CHAIRMAN. Did you do any painting for Mr. Merriam on a boat there?

Mr. GOSNELL. No, sir.

The CHAIRMAN. You never did any painting on a boat?

Mr. GOSNELL. No, sir.

The CHAIRMAN. On an automobile?

Mr. GOSNELL. Yes, sir.

The CHAIRMAN. What kind of a machine?

Mr. GOSNELL. An electric runabout.

The CHAIRMAN. When was that?

Mr. GOSNELL. Last summer or last fall.

The CHAIRMAN. Are you a pretty good painter?

Mr. GOSNELL. I do not know sir, about that; that is an open question.

The CHAIRMAN. You consider yourself a fairly good painter?

Mr. GOSNELL. Yes, sir.

The CHAIRMAN. Can you finish a vehicle of that sort so that it looks reasonably finished?

Mr. GOSNELL. Yes, sir.

The CHAIRMAN. Put a good polish on it?

Mr. GOSNELL. Yes, sir.

The CHAIRMAN. What kind of a job did you do in this matter?

Mr. GOSNELL. I gave him a first-class job.

The CHAIRMAN. How many coats of paint?

Mr. GOSNELL. About 14 coats.

The CHAIRMAN. Had it been painted not long before you got hold of it?

Mr. GOSNELL. What is that?

The CHAIRMAN. Do you know whether Mr. Trazzare had put any paint on it?

Mr. GOSNELL. No, sir; I do not know.

The CHAIRMAN. So in putting your paint on you tried to make a complete and up-to-date job?

Mr. GOSNELL. Yes, sir.

The CHAIRMAN. How long did it take you to put on one coat?

Mr. GOSNELL. On the body?

The CHAIRMAN. Yes, sir.

Mr. GOSNELL. About 20 minutes. I takes half an hour to put on a coat of varnish and 20 or 30 minutes to put on a coat of paint.

The CHAIRMAN. You say the body; what do you mean?

Mr. GOSNELL. I mean on the body itself.

The CHAIRMAN. Just on the box, not covering the wheels?

Mr. GOSNELL. No, sir.

The CHAIRMAN. About how long did you work on that automobile?

Mr. GOSNELL. I worked on it about nine days.

The CHAIRMAN. Mr. Gosnell, how came you to do that work?

Mr. GOSNELL. He went to see Capt. Jones and asked Capt. Jones for permission to have it done in the yard, as I understand it.

The CHAIRMAN. That is your understanding?

Mr. GOSNELL. Yes, sir. Capt. Jones told me one day—at least, Capt. Jones or one of the other men—to give him a figure on it, and I went down there one day and gave him a figure on it and I understand he put a deposit up at the pay office to cover the expenses. He bought the material on the outside, at least, I bought it and he paid me for it later on.

The CHAIRMAN. You bought the painting material you put on not from the Government yard?

Mr. GOSNELL. No, sir; there is no means of getting it from the Government. They do not have it in the store and there is no means

of getting it. Then Mr. Merriam told me to buy the material from the outside, and so I got the material from the outside.

The CHAIRMAN. What was your work on it worth?

Mr. GOSNELL. The work I did?

The CHAIRMAN. Yes, sir.

Mr. GOSNELL. I just charged him about what I thought he ought to pay; between \$30 and \$35 I charged him.

The CHAIRMAN. Did he pay you?

Mr. GOSNELL. No, sir.

The CHAIRMAN. He paid you for the material?

Mr. GOSNELL. Yes, sir.

The CHAIRMAN. But your work was just turned in as the Government's at what you figured?

Mr. GOSNELL. If I worked an hour on it to-day, I turned that in to the time clerk, and if I worked two hours on it, I turned that in to the time clerk; just the time I worked on the machine I turned in to the time clerk.

The CHAIRMAN. And it amounted to \$36?-

Mr. GOSNELL. I do not know what it amounted to.

The CHAIRMAN. I thought you said \$36?

Mr. GOSNELL. I said that I figured between \$30 and \$35.

The CHAIRMAN. Was that found to be near enough to be correct?

Mr. GOSNELL. I think there was a few cents difference that came back to him.

The CHAIRMAN. But it would be about \$36?

Mr. GOSNELL. Somewhere in that neighborhood; yes, sir.

The CHAIRMAN. Did you do any work on the boat at all?

Mr. GOSNELL. No, sir. Mr. Merriam asked me if I would letter his boat for him after he got it overboard some Sunday.

The CHAIRMAN. But you never did that?

Mr. GOSNELL. No, sir; I never did.

The CHAIRMAN. Is that all the work you did for Mr. Merriam?

Mr. GOSNELL. No, sir.

The CHAIRMAN. You did not work on anything else?

Mr. GOSNELL. Nothing but the automobile. I painted his office. That was Government work. I never did any work privately for him except that one job that came direct from the head of our department, and he told me to turn in my time to the time clerk whatever time was consumed on the machine.

The CHAIRMAN. Which you did?

Mr. GOSNELL. Yes, sir.

Mr. MILLER. Who is the head of your department?

Mr. GOSNELL. Capt. Willard. Capt. Jones was at that time.

Mr. MILLER. What department?

Mr. GOSNELL. Public Works now, Yards and Docks at that time.

Mr. BOOHER. How many painters are there in your department?

Mr. GOSNELL. They carry three of us.

Mr. BOOHER. Were there three of you at the time you did this work for Mr. Merriam?

Mr. GOSNELL. Yes, sir.

Mr. BOOHER. Why do they keep three of you in the department, is there work for you all?

Mr. GOSNELL. Yes, sir; at the present time they have got 15 or 18, I guess.

Mr. BOOHER. How could you spare the time, if busily occupied in the department, to do the work for these officers?

Mr. GOSNELL. That work was done the same as Government work.

Mr. BOOHER. Done in your time as a Government employee?

Mr. GOSNELL. It was just the same as if a firm came to the shop to have a job done, the navy yard would charge them for the work.

Mr. BOOHER. Do the outside people come in there and get work done?

Mr. GOSNELL. No, sir.

Mr. BOOHER. Do they do it?

Mr. GOSNELL. Not that I know of.

Mr. BOOHER. Do you know of any department in the navy yard where they do work for the outside?

Mr. GOSNELL. No, sir.

Mr. BOOHER. If they did, it would come in competition with the outside workmen?

Mr. GOSNELL. Yes, sir.

Mr. BOOHER. That is not done in your department?

Mr. GOSNELL. Yes, sir. The class of work we do the outside people would not want to get us to do. There is nothing but painting and carpentering work done in our department. There is not any manufacturing done in our department; it is just repairs to buildings, repairs to quarters, and things of that kind.

Mr. FAISON. You said awhile ago, however, that after you did this work there was something coming back to him?

Mr. GOSNELL. Yes, sir.

Mr. FAISON. What?

Mr. GOSNELL. The deposit he made with the pay office.

Mr. FAISON. Did you know that he made one?

Mr. GOSNELL. All I know is what he told me and what Capt. Jones said.

Mr. FAISON. The general impression is that he left the deposit there?

Mr. GOSNELL. Capt. Jones and Mr. Merriam told me that he had left a deposit for the job and to keep every minute's time on it, and that it would be turned into the pay office; so I understood him.

The CHAIRMAN. I think you said that there was \$36 deposited?

Mr. GOSNELL. Between \$30 and \$35. I do not remember the exact figures.

Mr. FAISON. The general impression around the yard is that when any work is done that way there is a deposit made?

Mr. GOSNELL. It has been done ever since I have been there—where I have worked.

Mr. FAISON. You never have done anything except this?

Mr. GOSNELL. This is the only job. I have done work after half past 4 for officers, but I never did any in working time.

Mr. DOREMUS. You do not know of any work being done for outside parties?

Mr. GOSNELL. No, sir.

Mr. DOREMUS. Have you ever heard of any?

Mr. GOSNELL. No, sir; I never heard of it.

Mr. FAISON. Have you done work for outside parties?

Mr. GOSNELL. For Capt. Potts. I did work for him at his house after he was detached from the yard, and he paid me time for it.

Mr. FAISON. I thought the Government did all that work?

Mr. GOSNELL. They do not do anything except the Government furniture—what belongs to the Government.

Mr. FAISON. The Government furnishes the house?

Mr. GOSNELL. Part of it. I think they put in everything except bedclothes and things like that. The chairs and everything in the Government house have "Yards and Docks" stamped on them. That is the only stuff we are supposed to touch.

The CHAIRMAN. If any officer wants something done outside the regulations, I suppose he gets that on his own hook?

Mr. GOSNELL. He gets it done after hours. The work I have done for Capt. Potts was done after hours and he paid me for it.

The CHAIRMAN. That is all.

TESTIMONY OF MR. JESSE B. K. LEE.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. How long have you been in the employ of the Government at the navy yard here?

Mr. LEE. Nearly 27 years.

The CHAIRMAN. What is your position?

Mr. LEE. Chief clerk and chief accountant of the Ordnance Department.

The CHAIRMAN. Do you know anything of a matter arising as to supplies furnished on a contract by Mr. Kendall?

Mr. LEE. I have a recollection of it, probably not as clearly as you would like to have, because the matter is not one which would under ordinary circumstances pass through my hands. I do remember that seven or eight years ago there was some contract let out for some machinery—steel, I think it was, upon open bids at the department, and I understood at that time Mr. Kendall was the only bidder and that the contract was awarded to him. Later on, it seems, the general storekeeper raised a question as to the price paid for this material.

The CHAIRMAN. Who was the general storekeeper at that time?

Mr. LEE. I think Paymaster Carpenter was the general storekeeper.

The CHAIRMAN. Who was the party that received that material?

Mr. LEE. Well, all commercial material when it comes into the yard is received into the store by the store clerks or laborers, representatives of the general storekeeper.

The CHAIRMAN. Was there a Mr. Frailey, I believe that was his name?

Mr. LEE. I think Pay Director Frailey was at the Navy pay office, as purchasing officer.

The CHAIRMAN. Who O. K'd the accounts when the bid was made, who authorized the acceptance of the bid, and who made the contract?

Mr. LEE. We have two forms of contract, what we call open-purchase forms and those given out through the Bureau of Supplies and Accounts after public advertisement. The open-purchase contracts are given out by the Navy pay office. I think this was a regularly advertised contract and in that case the contract was made by the Bureau of Supplies and Accounts, Navy Department.

The CHAIRMAN. This particular matter that I want to call your attention to is an alleged contract that was found to be very excessive in price and a large portion of it canceled. Give us, as far as you

can, the way in which that excessive price was discovered, who was the bookkeeper at the time, and who helped to discover it, and what was done about it?

Mr. LEE. My recollection is, that at that time the general storekeeper brought it to the attention of the commandant and superintendent of the Naval Gun Factory and also the Bureau of Supplies and Accounts.

The CHAIRMAN. Do you know who brought it to the general storekeeper's attention?

Mr. LEE. No, sir; I do not. Then Mr. Kendall was called into consultation about it. There was some arrangement made by which the contract price was reduced, I think, through the Bureau of Supplies and Accounts, with the idea that if the price were not reduced the contract would be canceled.

The CHAIRMAN. As a matter of fact, was not the contract canceled?

Mr. LEE. I think the price was reduced. I can not state positively, because that is mere hearsay with me. It is work not pertaining exactly to my duties.

The CHAIRMAN. You kept no books showing this account?

Mr. LEE. No, sir. Those bills do not pass through our office at all.

The CHAIRMAN. Do you know anything about the relative price of the stuff supplied under that contract and the market value of the same things?

Mr. LEE. It was claimed that the price was three or four times what it should have been.

The CHAIRMAN. When the matter was before you, generally you knew pretty well what the facts were?

Mr. LEE. Yes, sir.

The CHAIRMAN. You say that the Government was being charged three or four times what the market value was?

Mr. LEE. Yes, sir.

The CHAIRMAN. Do you know whether any books were altered to show that some of those things had been delivered?

Mr. LEE. No, sir; that would not come under our office.

The CHAIRMAN. Did you understand that anything of that kind was being done?

Mr. LEE. No, sir. Probably I might explain there that there is an order in existence that like materials on the books of the general storekeeper varying in price, where there are several quantities, that from time to time they average the prices. That may occur at any time during the fiscal year, as they have like materials with different prices. They average the price so that stub requisitions for material sent in from the shops can be priced at a uniform figure.

The CHAIRMAN. I understand you to say that it was generally understood that the price was three or four times their value. Somebody was responsible for that contract; who was the man?

Mr. LEE. Probably that might be explained in this way: The Bureau of Supplies and Accounts, in letting a contract in compliance with the law, calls for public bids, and usually there are a good many bidders for supplies and for material of this kind, thus resulting in competition. It was thought remarkable at the time that there was only one bidder. This seemed to be the main incident that raised the issue, or called it to the attention of the authorities. Generally

speaking, the Bureau of Supplies and Accounts would be the judge of the contract price, whether it was fair or unfair. On the other hand, in purchases of steel there are various specifications under which the steel may be bought. Steel requiring higher tensile strength or elastic limit, the higher or better quality of steel, naturally demanding a higher price. Unless a person is expert in knowing those different grades of steel as asked for on requisition it can be readily seen that sometimes a bid might come in that apparently would be fair that may not be fair, and that, on the other hand, a bid might come in that did not seem fair that would be fair.

The CHAIRMAN. It would depend on whether the man making the contract knew anything about the business?

Mr. LEE. Yes, sir.

The CHAIRMAN. It has been stated here that soft steel was put in under that contract at \$9 and something a hundred while the average market price was \$3 and something a hundred?

Mr. LEE. That may be so.

The CHAIRMAN. When that contract was being accepted, somebody had to accept it; who was that?

Mr. LEE. The people at the Bureau of Supplies and Accounts would have to answer that; I can not tell you.

The CHAIRMAN. Do you know whether Mr. Frailey was an uncle of Mr. Carpenter?

Mr. LEE. I do not know.

The CHAIRMAN. Was he in charge there before Mr. Carpenter as general storekeeper?

Mr. LEE. Yes, sir; I think he was. I think Mr. Frailey was general storekeeper prior to Mr. Carpenter.

The CHAIRMAN. What was his position at the time of the Kendall contract?

Mr. LEE. I think he was in charge of the Navy pay office.

The CHAIRMAN. What relation would that put him in reference to this contract?

Mr. LEE. I do not believe he would have any connection there at all, because, as I stated before, I think this contract was let out by public advertisement through the Bureau of Supplies and Accounts; that is the Paymaster General's office.

The CHAIRMAN. Who was the chief of the Bureau of Supplies and Accounts at that time?

Mr. LEE. The chief of the bureau at that time, I think, was Paymaster Gen. Kenny. I think his initials are A. C. or A. L.; I am not sure.

The CHAIRMAN. Was it generally understood that the cancellation and correction of that account saved the Government some \$60,000 at the time?

Mr. LEE. I do not recall the exact figures, but I know there was quite a saving.

The CHAIRMAN. Was it not in that neighborhood?

Mr. LEE. I doubt very much if it were that much. I should say it was closer to \$12,000 or \$15,000.

The CHAIRMAN. Do you know whether there have been any other excessive accounts discovered and corrected within the last few years?

Mr. LEE. I can not recall any just at this time.

[Memorandum addenda.]

After close of hearing, while walking along corridor with Hon. Judge Hardy, another incident occurred to my recollection where material might have been paid for at a considerably higher price than its actual cost, and upon request of Judge Hardy I mention the incident, as follows:

On June 24, 1902, proposals were opened for 7,000 5-inch powder tanks. Mr. Kendall was the lowest bidder. Upon his application at the yard for a blue print the price bid by him was learned, and such price was considerably greater than the price for the same article if made at the gun factory.

The attention of the commandant and superintendent, Naval Gun Factory, was immediately called to the same, and by him the Bureaus of Ordnance and Supplies and Accounts were communicated with officially, and the contract was not let, although Mr. Kendall might have received the award, he being the lowest bidder. The gun factory subsequently manufactured the 7,000 tanks and saved between \$20,000 and \$25,000.

The CHAIRMAN. To sum the whole matter up, that particular transaction, was it not found to be the result of some improper agreement? In other words, to put it in common language, was it graft or not?

Mr. LEE. I do not believe it was graft, sir. I believe it was one of those things that will happen sometimes in the best of regulated institutions, although the same question was raised at that time on account of the significance of Mr. Kendall being the only bidder.

The CHAIRMAN. Was it possible for those articles to be priced at three or four times their market value without there being some kind of undercurrent or wrong agreement?

Mr. LEE. Yes, sir.

The CHAIRMAN. Would anybody go down there and make a bid running to \$50,000 or \$60,000 and tender it to the Government at a price that was three or four times the market price unless he had some expectation of slipping it through without proper inspection?

Mr. LEE. That could have happened so far as the individuals are concerned without any idea of irregularity, as I explained before, through a defective system.

The CHAIRMAN. Here is a man who is going to bid for a contract calling for \$40,000 or \$50,000 worth of supplies to be furnished, and is it not unreasonable to think of a man, if he had no understanding with anybody, calling for three or four times the value of those goods, expecting any attention to be paid to it at all; is not that unreasonable?

Mr. LEE. Yes, sir; generally speaking.

The CHAIRMAN. Frailey was the inspector and received supplies at the time Carpenter was the storekeeper there when this Kendall matter came up?

Mr. LEE. I think Mr. Frailey was the purchasing officer at the Navy pay office, and this contract was made through the Bureau of Supplies and Accounts. If by inference we are to judge the action in any way in a matter of that kind, either in an honest or dishonest way, I should say that Paymaster Carpenter showed every evidence of being intensely interested in having that price cut down.

The CHAIRMAN. Was there anything said about keeping that quiet and having no stir made about it at the time?

Mr. LEE. No, sir; not to my knowledge. It was generally known all through the place.

The CHAIRMAN. That is, among the officials in the department?

Mr. LEE. Yes, sir.

The CHAIRMAN. There was some investigation in some other departments of the Government at that time?

Mr. LEE. Not that I remember.

The CHAIRMAN. Do you remember in the transaction any other particular items whose valuation excited suspicion and brought on an investigation?

Mr. LEE. The same contract?

The CHAIRMAN. In the same contract?

Mr. LEE. No, sir; I do not remember of any at this time.

The CHAIRMAN (interposing). Do you know whether Mr. Kendall had prior to that time been given a free run of the office so as to know the estimates?

Mr. LEE. I was just coming to that question. I might be able to look over the records and refresh my memory on that score. It is pretty hard to remember all the details so long after the time. Mr. Kendall was regarded there at one time as being zealous in his desire to furnish the navy yard with material, and he really gave the yard considerable attention so far as the expedition of material was concerned, getting it there in a hurry, and, of course, time is of considerable value when the work is to be produced for some specific purpose, and Admiral Leutze, who was the predecessor of the present commandant, and myself have frequently conferred over the instances that occurred in which we thought the material might be a little higher than the usual market rates, but the bids from other people, gotten at the same time, did not indicate that there was any collusion; and, of course, we know, as a matter of fact, that merchants like Mr. Kendall have to deal with their principals, the manufacturers, and probably have to pay more for their material in order to get it out ahead of other material. Therefore, they charge the Government more for that material. So, as far as we could see, Mr. Kendall was not guilty of any wrongdoing, although some of the prices were a little higher, as I said before, than what we could have gotten the material for if we had waited a longer period.

The CHAIRMAN. This committee is anxious to get at the whole truth and nothing but the whole truth.

Mr. LEE. I appreciate that.

The CHAIRMAN. The Government should do its business on an economical basis, and it is the duty of every employee to ascertain what the trouble is and why the Government must spend so much more in its own yards than private parties, and if this contract showed such an enormous difference between the price the Government paid and what outside parties paid, somebody was at fault—the bureau was at fault?

Mr. LEE. There is no doubt it has that appearance.

The CHAIRMAN. Do you know whether or not Mr. Sims, who was a bookkeeper at that time in the Ordnance Department—

Mr. LEE (interposing). He was not a bookkeeper in the Ordnance Department.

The CHAIRMAN. The department that took in all the matters and supplies covering this Kendall account. Do you know whether or not he had anything to do with showing Mr. Carpenter those excessive charges?

Mr. LEE. No, sir.

The CHAIRMAN. You do not know whether he made those discoveries or not?

Mr. LEE. I only know of it by hearsay.

The CHAIRMAN. Was that the understanding at the time that he pointed out those things to Mr. Carpenter?

Mr. LEE. I did not hear it at that time. It was subsequent to that time.

The CHAIRMAN. Have you ever heard of anybody else except him making those discoveries?

Mr. LEE. No, sir.

The CHAIRMAN. Since then you have understood that he did point out the proof of this excessive price?

Mr. LEE. Yes, sir.

The CHAIRMAN. And then Mr. Carpenter took it up and investigated it and the contract became cancelled?

Mr. LEE. Yes, sir.

The CHAIRMAN. You spoke about Mr. Kendall being very much interested in expediting things; was his connection with the department largely cut off after that transaction?

Mr. LEE. Yes, sir.

The CHAIRMAN. And he ceased to furnish supplies?

Mr. LEE. No, sir; he did not cease to furnish supplies, but he did not get as many contracts.

The CHAIRMAN. And he was not around the office so much?

Mr. LEE. No, sir. Probably it would be only fair to say that Mr. Kendall became incapacitated through ill health and was not able to get around like he did prior to that. It was the beginning of his illness, about that time.

The CHAIRMAN. There were some other items mentioned by the witness, but I understand the biggest item was the soft steel, such things as files and other things overpriced. As I understand, the general list was overpriced?

Mr. LEE. I would not like to say that, sir.

The CHAIRMAN. I understand you to say that there were some \$12,000 or \$15,000 involved?

Mr. LEE. Involved in this steel matter.

The CHAIRMAN. In the steel alone?

Mr. LEE. Yes, sir.

The CHAIRMAN. Were there not a good many other supplies pointed out about that time gotten from the same source, like files?

Mr. LEE. No, sir; not to my recollection.

The CHAIRMAN. That refers only to steel?

Mr. LEE. Yes, sir; that came directly to our notice, because it was on a requisition made out by our department.

The CHAIRMAN. What is your department?

Mr. LEE. The Ordnance Department.

The CHAIRMAN. As near as you can tell, how long ago was that?

Mr. LEE. About eight years ago.

The CHAIRMAN. Do you know, Mr. Lee, anything of Mr. Sims's capacity as a bookkeeper?

Mr. LEE. No, sir.

The CHAIRMAN. Had there ever been any complaint as to his inattention to business prior to this Kendall contract or as to his efficiency up to that time?

Mr. LEE. I am not cognizant of that, sir. Those efficiency records are in the Navy Department and can be easily gotten. I never heard of anything personally.

The CHAIRMAN. You never heard of any complaint against him up to that time?

Mr. LEE. No, sir.

The CHAIRMAN. Have you heard of any since?

Mr. LEE. He has gotten into scrapes two or three times down there.

The CHAIRMAN. What kind of scrapes?

Mr. LEE. Absent from duty, or it was claimed that he was under the influence of liquor, or something of that sort.

The CHAIRMAN. Two or three times; how often has that been the case?

Mr. LEE. I should say two or three times. Of course, that is a matter of hearsay entirely with me.

The CHAIRMAN. Do you know anything about any reason why Lucas was demoted?

Mr. LEE. Yes, sir. I have understood that Paymaster Merriam had changed him from his usual position and sent him, I believe, down to the scale house to weigh coal and other materials. Then he became further dissatisfied with him, claimed he was inefficient, and wanted to recommend his demotion. He came to me one day over in the office and asked me the question, without any personal reference, as to how to go about the reduction of a clerk. I told him it would be necessary for him to make his statement and send it through the commandant to the Navy Department and furnish a copy of same to the individual interested, and that he would have the right under the civil service rules of three days in which to reply. Then some further conversation resulted, and he told me it was Lucas he wanted to recommend for reduction. He had not been satisfied with him for some time, and he had made up his mind to recommend his reduction. He did not state as to the amount he was going to reduce him. Later on I learned incidentally that he had been recommended for reduction to \$2.48 per diem, and subsequently he resigned.

The CHAIRMAN. What position was Lucas holding at the time this conversation occurred?

Mr. LEE. I think he was then down in the scale house.

The CHAIRMAN. Did he keep the books that the storekeeper keeps now or did up to about the 1st of January this year?

Mr. LEE. That is my understanding. Balance sheet of invoices and stub requisitions. His relation with our office was such that the clerks in our office came in frequent contact with him in checking up the material accounts. For instance, at the end of the month I would send two or three of our people over to check up with him the material accounts for the month.

The CHAIRMAN. Did you find any defects in his accounts?

Mr. LEE. Oh, yes; bound to find errors made by most anyone that has to do that kind of work. It is rather intricate, so far as details are concerned, and errors are very liable to creep in. That was the object of the checking so that we could be sure our accounts balanced at the end of the month. Our department is the manufacturing end and we balance our labor, of course, with our rolls and then with the general storekeeper's accounts; we balance the material so as to be

sure we have the right totals at the end of the month to account for under the various heads and subheads to make our proper returns to the Navy Department as to the disposition of labor and material spent during the month for the Naval Gun Factory.

The CHAIRMAN. And you found that your books did not exactly agree?

Mr. LEE. Yes, sir.

The CHAIRMAN. And that called for correction?

Mr. LEE. Yes, sir.

The CHAIRMAN. That would be very difficult work to do correctly?

Mr. LEE. I do not believe you can put anybody in there who would be perfect.

The CHAIRMAN. Did those defects you found of that character make you conclude that he was incompetent for the position or were they just such as would be naturally found?

Mr. LEE. The persons having charge of that work directly would be more competent than I to give you an opinion on his competency.

The CHAIRMAN. You were not in a position?

Mr. LEE. Not in a position to judge directly of it. Of course I know indirectly from the reports of the clerks that I might send over from time to time as to how they checked up with him and whether there was much out or little out. I do not remember of any great difference existing that was not caught up or checked up in due course of time.

The CHAIRMAN. You mean to say just natural and ordinary corrections?

Mr. LEE. Yes, sir.

The CHAIRMAN. Do you know, Mr. Lee, anything about the books failing to balance during the last quarter, some of your general accounts, and there being a shortage of some \$4,000 or \$5,000?

Mr. LEE. No, sir; I do not know anything about that only what I read in this testimony.

The CHAIRMAN. You never heard of it?

Mr. LEE. No, sir.

The CHAIRMAN. I will ask you this one general question: How does Mr. Merriam get along with the employees; is he deemed overbearing or at all difficult to get along with, and how do the clerks find their labors under him as compared to before?

Mr. LEE. My answer would be entirely hearsay.

The CHAIRMAN. Have you heard of a good deal of friction since he has been there?

Mr. LEE. Yes, sir.

The CHAIRMAN. Does the friction extend to a good many of the employees or just to a few?

Mr. LEE. I should say six or eight.

The CHAIRMAN. I will ask you another question: Have the books and general accounts gotten into confusion more now than heretofore, or do you know anything about that?

Mr. LEE. That is a question that I could answer, but it would require quite a long reply.

The CHAIRMAN. Is there a general state of confusion existing there?

Mr. LEE. There is some confusion, some considerable confusion, but I suppose it might be one of the natural results of changes taking

place at the time, different methods being pursued, which necessarily require people to be intrusted more or less in their duties, and during the interim while work falls off and inaccuracies occur which have to be straightened out afterwards; that fault, however, I should say, would be more attributable to the change of systems than personally to individuals.

The CHAIRMAN. You think it is the difficulty of getting new harness fitted on?

Mr. LEE. Yes, sir; it takes some time to make the changes.

The CHAIRMAN. What changes have been attempted in the system there?

Mr. LEE. The methods of clearing supplies and material through this naval supply account and transfers from one account to another have somewhat complicated matters, but like all new things I suppose it is necessary to give it a chance to see whether it will develop what it is intended to develop.

The CHAIRMAN. Do I understand you to say that since these attempted changes things have gotten more into confusion than before and you think that is attributable to the system, but that there is more confusion and dissatisfaction?

Mr. LEE. There is more confusion. As to the extent of dissatisfaction, that is a matter, of course, personal with the people interested.

Mr. DOREMUS. What are your duties as chief clerk?

Mr. LEE. To supervise the clerical and accounting work of the gun factory and to make the annual estimates for the appropriations to be secured for the maintenance of our department.

Mr. DOREMUS. How many subordinates are there under you in your office?

Mr. LEE. I think there are 83 or 84.

Mr. DOREMUS. Does your department have anything to do with the inspection or acceptance of material furnished to the Ordnance Department?

Mr. LEE. Yes, sir. When material is received an inspection is called by the general storekeeper's office. The call provides two places, inspection as to quantity and inspection as to quality. The representative of the general storekeeper inspects as to quantity, amount, or weight of material, and the inspection call is then sent to our office and the representative of the gun factory inspects the material as to quality, after which that inspection call is O. K'd or cause is given for rejection and sent back to the Inspection Board, which finally passes on the proposition, so that it is finally passed upon by five different individuals.

Mr. DOREMUS. In this work of inspection as to quantity and quality, are the inspectors provided with a copy of the contract from the Bureau of Supplies at the Navy Department?

Mr. LEE. The specifications under which the material is bought are generally stated on the face of the inspection call. If it be material bought under official specifications of the Navy Department, they are printed in a pamphlet like this [indicating] and the inspecting officer can get a copy at any time.

Mr. DOREMUS. He has a copy of the specifications?

Mr. LEE. Yes, sir.

Mr. DOREMUS. With reference to this Kendall contract, was there any claim made that Kendall did not furnish this material in accordance with his contract?

Mr. LEE. Not that I am aware of.

Mr. DOREMUS. Then, if the Government lost any money through that transaction, the fault was with the contracting department?

Mr. LEE. Yes, sir; apparently.

Mr. DOREMUS. Known as the Bureau of Supplies and Accounts?

Mr. LEE. Yes, sir.

Mr. DOREMUS. So far as you know, Mr. Kendall furnished his material exactly in accordance with the contract and with the specification that formed a part of the contract?

Mr. LEE. Yes, sir.

Mr. DOREMUS. Have you any idea how much the Government lost on that contract?

Mr. LEE. I do not believe the Government lost anything on its final adjustment. The amount in excess, as I stated before, would probably have been in the neighborhood of \$15,000. That is what I understand.

Mr. DOREMUS. Then you understand that the Government was fully reimbursed subsequently?

Mr. LEE. Yes, sir. The price was reduced and Mr. Kendall was not paid the original contract price.

Mr. DOREMUS. Do you know whether Mr. Kendall subsequent to that time had any contractual relations with the Navy Department?

Mr. LEE. Yes, sir.

Mr. DOREMUS. He did after that?

Mr. LEE. Yes, sir.

Mr. DOREMUS. And for how long?

Mr. LEE. Up to the time of his death, and his firm, the J. B. Kendall Co., now furnishes material to the Government right straight along, not as much, probably, as before. I can explain that partially in this way: Mr. Kendall's business concern here seemed to be more of a general supply place and was in close touch with manufacturers in different sections of the country to get materials of different kinds.

Mr. DOREMUS. Was he a sort of a jobber?

Mr. LEE. Yes, sir.

After this trouble it is probable that these people with whom Kendall had business relations subsequently dealt with the Government direct and became competitors, in that sense of the word, and since then we have had more competition than we used to have.

Mr. DOREMUS. Do you recall about how long Mr. Kendall lived after this particular contract was in question?

Mr. LEE. I think he lived about three years.

Mr. DOREMUS. And he was permitted to do business with the Navy Department during that interim of three years?

Mr. LEE. Yes, sir.

The CHAIRMAN. Mr. Lee, did Capt. Beatty, the commandant of the navy yard, have any trouble with the storekeeper's office of any kind, a misunderstanding, or any friction?

Mr. LEE. In what way?

The CHAIRMAN. Was there any friction between them at any time?

Mr. LEE. That is rather a general question.

The CHAIRMAN. I mean, have they had any difficulties or friction in reference to their business relations?

Mr. LEE. Do you mean in connection with this contract?

The CHAIRMAN. In connection with any particular matters lately?

Mr. LEE. I do not know of anything specific, sir, that I might say on that question. Capt. Beatty may have had questions up with Paymaster Merriam with which I would not be conversant. I do not know of anything of my own knowledge.

Mr. DOREMUS. Do you know whether Mr. Kenny is still connected with the Navy?

Mr. LEE. He is retired.

Mr. BOOHER. Mr. Lee, this contract that was entered into with Mr. Kendall was reduced to writing?

Mr. LEE. Oh, yes, sir.

Mr. BOOHER. Signed by the proper officer of the Navy?

Mr. LEE. Yes, sir.

Mr. BOOHER. And by Mr. Kendall?

Mr. LEE. Yes, sir.

Mr. BOOHER. Did that contract set out fully the price Mr. Kendall was to receive for these goods?

Mr. LEE. Yes, sir.

Mr. BOOHER. Did I understand you to say that in making that contract with Mr. Kendall it might have been, it was, honestly made, and there was no graft in it?

Mr. LEE. Yes, sir; that is possible.

Mr. BOOHER. Do you mean to say, Mr. Lee, with your knowledge of conditions down there, that an officer of this Government would pay three or four times what stuff was worth? That he had no more knowledge of the business of the department than that he would enter into a written contract to pay three or four times as much as the thing was worth, and be honest in it?

Mr. LEE. Apparently, sir, your view of it is correct—

Mr. BOOHER. I did not give you my view.

Mr. LEE. You are asking me a question, and in that question you really expressed your view. I stated before that there are dozens and dozens of different kinds of steel, varying in price, steel that might cost as high as a dollar a pound, and steel that might cost as low as 1½ cents or 1 cent a pound. Unless the persons giving out the contract are conversant with those various grades of steel—

Mr. DOREMUS. They ought to be.

Mr. LEE. That is another question. Unless they are conversant with those matters—experts in a way—it is possible that such an irregularity may occur.

Mr. BOOHER. It is a bare possibility; but it is not a probability, is it?

Mr. LEE. Generally speaking; no, sir.

The CHAIRMAN. I think I can ask the witness another question that will put that beyond the possibility of question.

Mr. BOOHER. Let Mr. Lee answer that.

Mr. LEE. It does seem it should have been discovered at the time the contract was let, and not to have gone along until some one in a subordinate capacity discovered it.

Mr. FAISON. How long was the time in between the time of the contract being made and the discovery?

Mr. LEE. Probably two months.

The CHAIRMAN. As I understand, your answers are largely confined to the steel proposition, because that came in your province as an ordnance man?

Mr. LEE. Yes, sir.

The CHAIRMAN. But if those supply accounts involved a lot of things, such as files, double prices and triple prices, and matters of ordinary merchandise, do you think it would still be a matter of honest rating?

Mr. LEE. No, sir; those things ought to be discovered. They have the current price list.

The CHAIRMAN. I understand you make a sort of a specialty of this question of steel, and say that it would take an expert to know whether it was worth a cent or a dollar a pound?

Mr. LEE. Yes, sir.

Mr. FAISON. I understand you to say it was about two months between the time of the executing of the contract and the delivery of the steel, and the finding of it out?

Mr. LEE. Yes, sir.

Mr. FAISON. And this was found by just a common clerk, a common laborer?

Mr. LEE. I do not know who found it out.

Mr. FAISON. Not an expert?

Mr. LEE. I did not know who found it out at the time, but Paymaster Carpenter reported it. He was the head of the department, and naturally, I suppose that some subordinate of his discovered it and notified him.

Mr. FAISON. Is it a custom in any sense for such contracts to pass the scrutiny of experts, and yet be found by just an ordinary working-man, or a clerk, who is not presumed to be an expert?

Mr. LEE. The contracts do not pass the scrutiny of those people at all.

Mr. FAISON. That is what I mean.

Mr. LEE. As I stated before, they are given out by the department after advertised bids, or through the Navy pay office after proposals are sent out to the several persons who are in that special business.

Mr. FAISON. You stated awhile ago that some other gentleman looked after the quantity of the material, and it was your business, under your department, to look after the quality of the material?

Mr. LEE. Yes, sir.

Mr. FAISON. Did this contracted steel escape the scrutiny of the experts in your department who examined the quality?

Mr. LEE. The steel is required under a certain specification, and if it is tested and comes up to that specification it is passed. There is no price, you understand, on this inspection report.

Mr. FAISON. I understand; you are simply looking at the quality.

Mr. LEE. At the quality. We are not supposed to know anything about the prices.

Mr. FAISON. This quality test did escape the attention of the men in your department?

Mr. LEE. No, sir; it did not escape anybody's attention, so far as quality is concerned. The price is not on the inspection report, just the quantity of the steel. The specifications of the contract under which the material is furnished are given.

Mr. FAISON. Then you said that was investigated by some department, and that department passed upon the quality?

Mr. LEE. Quality; yes, sir; in accordance with those specifications.

Mr. FAISON. When the quality of this steel was examined by the gentleman in your department it was not found up to the standard, it seems; and it was found out about two months later by some ordinary clerk.

Mr. LEE. The quality was all right; it was the price that was wrong.

The CHAIRMAN. The price was three or four times what it ought to have been.

Mr. LEE. The quality was all right.

Mr. DOREMUS. Would you consider it good business policy, after the Government had detected a contractor in the act of charging three or four times what material was worth, to continue business with that gentleman for a period of several years afterwards?

Mr. LEE. I would not consider it a good policy if collusion in any way or purpose for the extra charge was found. And I might, in continuation of that answer, state that at that time the question was seriously considered of barring Mr. Kendall. It was taken up with the Navy Department by Paymaster Carpenter, and Mr. Kendall was on the rack, so to speak, to show whether he had anything to do with the significant fact of their being only one bidder, or very few bidders, on this particular steel. Of course, that was a thing almost impossible to prove one way or the other, and Mr. Kendall satisfied the department that he was not guilty of any collusion—or managed to so impress the department.

Mr. DOREMUS. He did not satisfy the department that he was not charging three or four times what the material was worth?

Mr. LEE. No, sir; he did not satisfy them on that.

The CHAIRMAN. Collusion or no collusion?

Mr. LEE. That is very true.

Mr. DOREMUS. Do you know how long Mr. Kenny continued to be the head of the Bureau of Supplies after the Kendall contract matter came up?

Mr. LEE. I think in the neighborhood of two years.

(Thereupon, at 12.30 o'clock p. m., the committee adjourned.)

No. 5

HEARINGS

BEFORE THE

COMMITTEE ON EXPENDITURES IN THE
NAVY DEPARTMENT

OF THE

HOUSE OF REPRESENTATIVES

ON

HOUSE RESOLUTION NO. 109
TO INVESTIGATE THE EXPENDITURES IN
THE NAVY DEPARTMENT

JUNE 21, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

EXPENDITURES IN THE NAVY DEPARTMENT

[Committee room, room 119, House Office Building. Telephone 413. Meets on call.]

RUFUS HARDY, Texas, *Chairman*.

FRANK E. DOREMUS, Michigan.

WILLIAM B. MCKINLEY, Illinois.

JOHN M. FAISON, North Carolina.

HENRY McMORRAN, Michigan.

CHARLES F. BOOHER, Missouri.

CLARENCE B. MILLER, Minnesota.

BEN L. PRINCE, *Clerk*.

II

EXPENDITURES IN THE NAVY DEPARTMENT.

COMMITTEE ON EXPENDITURES IN THE NAVY DEPARTMENT, *Wednesday, June 21, 1911.*

The committee met at 10 o'clock a. m., Hon. Rufus Hardy (chairman) presiding.

TESTIMONY OF MR. N. H. SPICKNALL.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. What is your name?

Mr. SPICKNALL. N. H. Spicknall.

The CHAIRMAN. What is your present employment?

Mr. SPICKNALL. Joiner.

The CHAIRMAN. Joiner in the navy yard?

Mr. SPICKNALL. Supplies and Accounts, navy yard.

The CHAIRMAN. How long have you been in the employ of the navy yard?

Mr. SPICKNALL. About seven years, I think, in August.

The CHAIRMAN. What has been your position there? You are a joiner, but have you charge of any part?

Mr. SPICKNALL. I have charge of the lumber; all the lumber in the yard.

The CHAIRMAN. All the lumber in the yard?

Mr. SPICKNALL. All the lumber in the yard; yes, sir.

The CHAIRMAN. When you let out lumber for any particular purpose, do you ever let it out except on stub requisition or something of that sort?

Mr. SPICKNALL. Not except on stub requisition.

The CHAIRMAN. Even on small amounts?

Mr. SPICKNALL. No other way at all except on stub requisition.

The CHAIRMAN. Do you know anything of any lumber being used for the purpose of repairing or making a motor boat for Mr. Merriam?

Mr. SPICKNALL. I never issued any; no, sir.

The CHAIRMAN. You never issued any?

Mr. SPICKNALL. No, sir.

The CHAIRMAN. How would lumber be gotten for that purpose, to be used by the carpenter in repairing a boat, without an order from you?

Mr. SPICKNALL. I understand in this particular case it was. I issued a quantity of lumber for building some racks—spruce—and I think some of that lumber was left over, and that was covered by the card for this purpose, the boat building that you speak of. But the lumber was not issued directly by me for that purpose.

The CHAIRMAN. For what purpose was it issued?

Mr. SPICKNALL. For building racks in store No. 10.

The CHAIRMAN. You say it was covered by a card; in what way?

Mr. SPICKNALL. It was covered by a card?

The CHAIRMAN. You say the lumber that was used for the boat was covered by a card.

Mr. SPICKNALL. That could have been deducted from the original card. But the card that was issued on I know nothing about. Of course, that did not pass through my hands.

The CHAIRMAN. Then, if there was any lumber used in the boat, it was not gotten for that purpose from your yard?

Mr. SPICKNALL. It was not gotten for that purpose from my yard; no sir.

The CHAIRMAN. Was that boat built anywhere near, or repaired anywhere that you came across it?

Mr. SPICKNALL. No. I saw the boat. Of course, I have occasions to go in the basement of No. 2 store. I saw the boat on several occasions.

The CHAIRMAN. Do you know anything about how much lumber was used in it?

Mr. SPICKNALL. I do not. I have no idea; no, sir.

The CHAIRMAN. There was never any order came to you for that purpose?

Mr. SPICKNALL. No.

The CHAIRMAN. How could there be any charge on the books, then, for lumber, if it did not come from you for that purpose?

Mr. SPICKNALL. On the cards I keep it was not necessary for any account to show for it at all. The original card covered the whole amount which was drawn from me.

The CHAIRMAN. Is there somebody else who issues lumber cards that go on the books differently?

Mr. SPICKNALL. No.

The CHAIRMAN. Then how could the item or charge for lumber ever go on the books unless you issued lumber for that purpose?

Mr. SPICKNALL. It was not necessary for my card to show that. I issued the original amount of lumber, and the whole amount.

The CHAIRMAN. The whole amount put into that order for shelving, or something of that sort?

Mr. SPICKNALL. Shelving, for racks, yes.

The CHAIRMAN. Does not your card show what goes on the books?

Mr. SPICKNALL. Not on my books; no, sir. The original card I issued the lumber on—I keep a book showing that that lumber was issued on that particular stub. Other than that I keep no account of it whatever.

The CHAIRMAN. You do not keep any account. What do you do with the stub when you enter it on your book?

Mr. SPICKNALL. After I enter it on the book I turn it in to the general storekeeper's office.

The CHAIRMAN. What I am getting at is, where would he get any item to charge for lumber used in this boat if that stub only calls for lumber for shelving?

Mr. SPICKNALL. I do not know where he would get it.

The CHAIRMAN. So you do not know any way by which they could have had charged up the amount of lumber used in the boat?

Mr. SPICKNALL. I do not; no, sir.

The CHAIRMAN. After lumber is taken out from the general lumber yard, of which you have charge, is there anybody else who has a right to subdivide that and have the entries made for different purposes?

Mr. SPICKNALL. I really do not know. After it leaves my hands that is as far as I know anything about it.

The CHAIRMAN. Is it your custom to just issue orders to cover a number of purposes under one stub; is that the practice down there?

Mr. SPICKNALL. I did not understand your question.

The CHAIRMAN. Is it the practice down there to have lumber issued by you to cover a number of purposes and have it subdivided later?

Mr. SPICKNALL. No, it is not; to my knowledge.

The CHAIRMAN. So, so far as your department is concerned, you have no information of any lumber ever being used for the purpose of repairing that boat?

Mr. SPICKNALL. None whatever.

The CHAIRMAN. Mr. Spicknall, how long was the carpenter at work on that boat?

Mr. SPICKNALL. I really could not answer the question, sir; I know it was some time but I do not think he spent all of his time on the boat. I think it was between times, if I am not mistaken. Really, I do not know.

The CHAIRMAN. Was he spending a good deal of his time on the boat?

Mr. SPICKNALL. I do not think he could have been, because he had other work along in connection with that that could not have been neglected.

The CHAIRMAN. How long did that boat stay there for repairs?

Mr. SPICKNALL. I could not answer that question.

The CHAIRMAN. Give an approximation; can you?

Mr. SPICKNALL. I think the boat is still there. I have no idea, really, whatever. I do not know when the boat came there, and I really do not know whether it has ever been used since it was repaired or not.

The CHAIRMAN. You have no idea when it was put in?

Mr. SPICKNALL. No.

The CHAIRMAN. Have you any idea whether there was an engine put in it there or not?

Mr. SPICKNALL. I do not know whether there was.

The CHAIRMAN. Are you located so that you pass Mr. Trazzare's workshop frequently?

Mr. SPICKNALL. Not at all; no sir.

The CHAIRMAN. Do you know anything of any other material that went into the repair of that boat?

Mr. SPICKNALL. Not at all; no sir.

Mr. MILLER. Who makes the requisition upon which you issue the lumber?

Mr. SPICKNALL. The department that the lumber is to be used in; the pattern shop, for instance.

Mr. MILLER. Does a workman in one of the departments ever make a requisition?

Mr. SPICKNALL. No; the requisition is made in the office and signed by the foreman of the shop.

Mr. MILLER. If a workman needed some lumber, he would go to his foreman?

Mr. SPICKNALL. He would go to his foreman.

Mr. MILLER. And that foreman would make a requisition upon you by filling out the stub and signing it?

Mr. SPICKNALL. Yes, sir.

Mr. MILLER. Is there any way by which this carpenter, Mr. Trazzare, could make a requisition and get lumber for any purpose?

Mr. SPICKNALL. Generally the Supplies and Accounts make a requisition for lumber and boxes which they keep in their department right along. I have nothing to do with that except to measure it when it comes in the yard, and the whole amount is covered at that time.

Mr. MILLER. Do you have any discretion in rejecting or accepting an application made for lumber?

Mr. SPICKNALL. No; unless the card is not signed properly by the master mechanic in charge of the shop.

Mr. MILLER. Suppose a stub showed the quantity of lumber to be used to make 10 boxes, and it appear to you as though the quantity asked for was vastly too great; would you have any discretion in reducing that amount?

Mr. SPICKNALL. None whatever.

Mr. MILLER. You would simply have to issue it?

Mr. SPICKNALL. Issue what it calls for.

The CHAIRMAN. I suppose they do not show the purpose on the stubs frequently, do they? They just order so much lumber from you?

Mr. SPICKNALL. The stub shows the appropriation it is on; but I am not supposed to know how much lumber it takes to make the job.

Mr. MILLER. This Mr. Trazzare said the other day that he would make a requisition for lumber about once a year, five or six thousand feet, and I gathered from it that he made that.

Mr. SPICKNALL. No; I think he simply gets up the list of the material he requires for the purpose.

Mr. MILLER. He made an estimate of the amount of lumber he would need in his shop, in his work.

Mr. SPICKNALL. Yes, sir.

Mr. MILLER. And that was sent in, you think, to the proper department?

Mr. SPICKNALL. Sent in.

Mr. MILLER. When he wanted to get lumber he had to get it from you?

Mr. SPICKNALL. If he wanted lumber, other than he had in his stock, for other purposes, he would have to draw it on a stub requisition.

Mr. MILLER. Why do you say "in his stock"? Does he carry stock?

Mr. SPICKNALL. He carries this stock you speak of, the four or five thousand feet you speak of, for a year, for box purposes.

Mr. MILLER. That, then, is independent of you?

Mr. SPICKNALL. It is after I measure it. I measure all the lumber that comes into the yard.

Mr. MILLER. He makes out an estimate of, say, 6,000 feet of lumber that is purchased and delivered to him. He has the custody and charge of that, then, thereafter, during practically a whole year?

Mr. SPICKNALL. Yes. The lumber is charged off my books after it is delivered and inspected and passed finally, and a card made out covering it.

Mr. MILLER. Does he distribute the lumber out to various other workmen?

Mr. SPICKNALL. No; it is used entirely at the store for box purposes.

Mr. MILLER. By him alone?

Mr. SPICKNALL. By him alone.

Mr. MILLER. Or by others with him?

Mr. SPICKNALL. No; by him alone.

Mr. MILLER. Suppose the Midvale Steel Co. wanted some boxes made and they came down and made a contract that they were to be made by this carpenter; would he take the lumber out of this supply he has?

Mr. SPICKNALL. I do not know. I have never known of any boxes being made by any other department for anybody else.

Mr. MILLER. I understand it is possible to have it done. Would that be the natural result if such a contract were made?

Mr. SPICKNALL. I really could not tell you. I have never known of any boxes being made by anybody, except Ordnance, for any other concern.

Mr. MILLER. Suppose the commandant wanted boxes made down there for purposes other than Government purposes. Would Mr. Trazzare take the lumber from his supply there and then send in the amount to the proper official and have it charged to the commandant?

Mr. SPICKNALL. I really could not tell you. I have never known anything of that kind being done.

Mr. MILLER. Let us get down to this specific instance; that is what I am after. Did Mr. Trazzare have the authority; was he in a position to take lumber from his stock and use it in the repair of this motor boat?

Mr. SPICKNALL. The lumber is there; if he saw fit to do it, it would be possible; but, at the same time, the lumber would have to be accounted for in a way—so much lumber to be made into boxes. It would be an easy matter for anybody to tell very closely as to how the lumber had been used.

Mr. MILLER. Is there anything to prevent his making an estimate of the quantity of lumber that it took to make those repairs, and to send that in and have it charged to the man for whom the repairs were being made?

Mr. SPICKNALL. Was there anything to prevent that?

Mr. MILLER. Yes.

Mr. SPICKNALL. Nothing whatever.

Mr. MILLER. Would that be in accordance with the way in which business could properly be done?

Mr. SPICKNALL. It could be done that way; yes.

The CHAIRMAN. Still, that is something you do not know anything about?

Mr. MILLER. I was trying to find out whether he did.

The CHAIRMAN. That is what I want to find out—whether he knows anything about it.

Mr. MILLER. Here is the point: It is admitted, undoubtedly, that some lumber was used in the repair of a motor boat belonging to Mr. Merriam. You did not issue the lumber on requisition?

Mr. SPICKNALL. No.

Mr. MILLER. That may have been lumber that was left over after another job had been completed, or it may have been lumber taken from the shop, in possession of Mr. Trazzare. What I want to know is if that could be done in that way in the regular order of business.

Mr. SPICKNALL. I could not see any reason why it should not.

Mr. MILLER. That is all.

The CHAIRMAN. That brings up this question: You say that Mr. Trazzare makes out an estimate about once a year?

Mr. SPICKNALL. He can.

Mr. BOOHER. Mr. Trazzare said that.

The CHAIRMAN. He said so, too, that he would get about 6,000 feet, or some such matter, and he used that for all purposes until it was gone. If that is the case, was it not possible for that requisition to go to the carpenter shop?

Mr. SPICKNALL. I do not know.

The CHAIRMAN. You filled it out. Do you know anything about what was in those stubs that went to that shop?

Mr. SPICKNALL. It is possible for that stuff to go there without my seeing it, if there is a stub. I see only the stubs delivered to me.

The CHAIRMAN. What was on the stub delivered to you? Is there any specific purpose named, or just for that shop? You say he took his supplies by the year for all purposes?

Mr. SPICKNALL. Not for all purposes—for box purposes. That is what the lumber is bought for, for box purposes.

The CHAIRMAN. This lumber that was used for that boat was ordered from you for box purposes?

Mr. SPICKNALL. No; I did not say that.

The CHAIRMAN. What did you say about that?

Mr. SPICKNALL. I said I understood that the lumber that was used in the boat, so far as I know, was taken from the original card that I issued lumber on to make bins in store No. 10.

The CHAIRMAN. You mean it was taken out of the original lumber issued to make bins?

Mr. SPICKNALL. Yes, sir.

The CHAIRMAN. That is boxes, is it not?

Mr. SPICKNALL. No; the bins were not boxes. They were really racks, I suppose you would call them, for holding steel bars.

The CHAIRMAN. So far as you know, then, this lumber was never issued by you for the repair of that boat, but it was issued for racks?

Mr. SPICKNALL. Yes.

The CHAIRMAN. And you know nothing more, except that if it was gotten out for any other purpose, it was not gotten out on an order for that purpose from you?

Mr. SPICKNALL. No, sir.

The CHAIRMAN. I ask you now if those orders that come once a year to put in a stock there for the carpenter are not general, just for lumber to go to that place?

Mr. SPICKNALL. I do not understand they are general. They are for a particular purpose, for making boxes for shipping stationery, and things of that kind, from the store to the different ships.

The CHAIRMAN. Do you know how in the world they would ever get a charge on the books against Mr. Merriam without somebody having a statement filed somewhere showing the lumber used for that boat? You say you did not make any such statement?

Mr. SPICKNALL. No, sir.

The CHAIRMAN. Do you know any way it would ever get to the books without somebody ever making a statement or a charge?

Mr. SPICKNALL. I do not; no, sir.

The CHAIRMAN. Do you know whether it is the custom for the carpenter to make out subcharges for the stuff he uses for other purposes?

Mr. SPICKNALL. The carpenter could have done that. He could have made the requisition and have had it signed by the storekeeper, a stub requisition.

The CHAIRMAN. Whom would it have been on, if he made a requisition?

Mr. SPICKNALL. It would have been made in the same form the original requisition is made.

The CHAIRMAN. It would have been on you, would it not?

Mr. SPICKNALL. Not necessarily. He had the lumber in his possession, left over from the original job.

The CHAIRMAN. He would have made a requisition on himself?

Mr. SPICKNALL. He had the lumber in his possession, and no purpose to use it for.

The CHAIRMAN. So you do not know anything about how much lumber there was used in the boat?

Mr. SPICKNALL. None whatever; I have no idea.

Mr. McMORRAN. How often do you check up your lumber on hand?

Mr. SPICKNALL. It would be hard to say. I go over it every once in a while to see how the stock is running, according to the cards I keep.

Mr. McMORRAN. Do you measure it up to see the quantity you have on hand?

Mr. SPICKNALL. A great deal of it does not have to be measured; it can be counted—pieces. And the stuff that can not be counted, I estimate it in a pile.

Mr. McMORRAN. How often do you count it?

Mr. SPICKNALL. I could not say. I do not go over the whole stock any particular time. I go over it almost daily. I go out and count a pile to see how it is running.

Mr. McMORRAN. Do you have a certain time in the year when you make inventories, check it?

Mr. SPICKNALL. I think about two or three years ago an inventory was taken of the whole stock.

Mr. McMORRAN. None has been taken since?

Mr. SPICKNALL. None has been taken since.

Mr. McMORRAN. So that you do not know at this time whether your lumber on hand agrees with the ledger account or not?

Mr. SPICKNALL. Not perfectly; but I know it is very close, because I keep tab enough on it that way to know how the stock is running.

Mr. McMORRAN. How can you keep tab on it unless you take an accurate inventory at a certain period?

Mr. SPICKNALL. By estimating what stuff there is in a pile.

Mr. McMORRAN. Do you count it?

Mr. SPICKNALL. Yes, sir.

Mr. McMORRAN. When you say an estimate, it is an actual count, is it?

Mr. SPICKNALL. No; it is not. The lumber that runs in irregular sizes could not be counted in any way except pulling a pile down and counting it board by board.

Mr. McMORRAN. Your estimates do not amount to anything unless you do take it down and make an actual count?

Mr. SPICKNALL. Not accurate, of course; but you can get a very close count.

Mr. McMORRAN. How does it vary, when you do make such estimates as you do, from the amounts shown on the ledger?

Mr. SPICKNALL. I did not understand.

Mr. McMORRAN. How does the stock of lumber vary when you do make these estimates?

Mr. SPICKNALL. It generally runs very close to the cards. Of course we can not keep it perfectly.

Mr. McMORRAN. How is your account kept—by the number of thousands or by the value in dollars and cents?

Mr. SPICKNALL. Both the quantity of stock and by the money, too.

Mr. McMORRAN. Are you familiar with the prices paid for it and the value of each kind of lumber?

Mr. SPICKNALL. I am familiar to an extent, because I am governed by the prices I receive on calls. The stuff is inspected and the call returned to me. That governs my prices on the cards.

Mr. McMORRAN. Does the general office ever require you to take an inventory at a certain period?

Mr. SPICKNALL. Only at one time. I was requested to take an inventory about three years ago.

Mr. McMORRAN. You do not have any semiannual or annual period when they take an inventory?

Mr. SPICKNALL. None whatever.

Mr. MILLER. In what grade are you in the classified service?

Mr. SPICKNALL. I am a joiner.

Mr. MILLER. I know, but do they not have classes?

The CHAIRMAN. He is marked "Class 1." You get \$3.76 a day, do you not?

Mr. SPICKNALL. \$3.76; yes, sir.

Mr. MILLER. How long have you been in class 1?

Mr. SPICKNALL. Ever since I have been in the yard, I suppose. I did not know it was class 1.

Mr. MILLER. Do you mind stating just how much schooling you had before you became a practical carpenter, or joiner?

Mr. SPICKNALL. No; I went up to the last year in the Baltimore Polytechnic. One more year would have finished my course there.

Mr. MILLER. And what common schools did you attend?

Mr. SPICKNALL. The ordinary grammar schools.

Mr. MILLER. Whereabouts?

Mr. SPICKNALL. It is hard to tell you just where they were; they were scattered all over the country—at Lower Marlboro, Md.; Harmony Grove, Ga.; Catonsville Public School; and the Baltimore Polytechnic.

Mr. MILLER. How old are you now?

Mr. SPICKNALL. Twenty-eight.

Mr. MILLER. Do you think your education and experience are sufficient to qualify you to keep such books as you have to keep down there?

Mr. SPICKNALL. I certainly think so.

Mr. MILLER. Do you have any objection to doing such bookkeeping as you do?

Mr. SPICKNALL. I have no objection to doing it at all. I do not consider it bookkeeping, though.

Mr. MILLER. You do not? As I understand, all you do is to put the prices on the requisitions, on the cards, already made out for you?

Mr. SPICKNALL. Yes.

Mr. MILLER. And then you keep the books showing the quantity on hand and the various quantities you give out in harmony with these requisitions or stubs?

Mr. SPICKNALL. Yes.

Mr. MILLER. That is all you do?

Mr. SPICKNALL. That is all. I would not call that bookkeeping.

The CHAIRMAN. These stubs that you make out, do you make them out in duplicate? Do you have a carbon copy of the order when you fill it?

Mr. SPICKNALL. I do not make them. The stubs are made in the shop, and they are made in duplicate.

The CHAIRMAN. When you fill an order on some stub, do you extend the price on a duplicate list, and also on the stub? Do you make two extensions of the price?

Mr. SPICKNALL. Two extensions; yes, sir.

The CHAIRMAN. Where do you send those papers you make out?

Mr. SPICKNALL. They are turned in to the store.

The CHAIRMAN. You turn in both the duplicate and the stub to the store?

Mr. SPICKNALL. The two copies are turned in to the store, the original and the copy.

The CHAIRMAN. Have you always been in the habit of making those extensions, or is that a later practice?

Mr. SPICKNALL. When I first went there the prices were put on at the store.

The CHAIRMAN. By whom?

Mr. SPICKNALL. I do not know; I think by a man by the name of Mattingly. He is dead now.

The CHAIRMAN. Was he a bookkeeper?

Mr. SPICKNALL. He was a bookkeeper, I think.

The CHAIRMAN. When you first went there, you just met the requisition by giving the lumber called for?

Mr. SPICKNALL. Yes.

The CHAIRMAN. You did not keep the prices at all?

Mr. SPICKNALL. No.

The CHAIRMAN. Did you keep any records at all at that time?

Mr. SPICKNALL. We kept what they called stock cards. I issued the quantity, the number the stub requisition called for, and made a deduction on the stock card, showing the amount of lumber supposed to be left in the pile.

The CHAIRMAN. You had that stock card, then, of stock kept on hand by you?

Mr. SPICKNALL. Always.

The CHAIRMAN. Did you send any papers to anybody at all except to send these unextended papers back to the storekeeper?

Mr. SPICKNALL. Direct to the store.

The CHAIRMAN. You never kept any book of any kind?

Mr. SPICKNALL. No; only a book showing the material that came in the yard, the date it was received, and the quantity.

The CHAIRMAN. You had that, then?

Mr. SPICKNALL. Yes, sir.

The CHAIRMAN. But you did not add to that book anything showing what you took out? You kept that on your stock card?

Mr. SPICKNALL. That was all; yes, sir.

The CHAIRMAN. When did you make that change and begin to make the extensions?

Mr. SPICKNALL. I can not remember just when.

The CHAIRMAN. Within the last two years?

Mr. SPICKNALL. Yes; it has been; yes, sir.

The CHAIRMAN. Was that by direction of Mr. Merriam, or by direction of whom?

Mr. SPICKNALL. No; I think during Paymaster Martin's period there; the records were turned over to me during his time, I think.

The CHAIRMAN. Do you know whether there has been any complaint of any confusion arising by reason of this bookkeeping function of yours—this new arrangement?

Mr. SPICKNALL. I do not; no, sir.

Mr. MCKINLEY. Is there any benefit in having you do it rather than in having a bookkeeper in the office do it?

Mr. SPICKNALL. I do not know that there is any benefit; it is certainly less expensive.

Mr. MCKINLEY. It saves money, does it?

Mr. SPICKNALL. It saves money. It seems to me anything of the kind in the hands of a practical man would be less likely to mistakes than in the hands of a man who is less experienced, with no idea of the value of the article at all.

The CHAIRMAN. You think, then, you know better the prices of lumber than the bookkeeper who keeps the accounts, usually?

Mr. SPICKNALL. I should think so. I have been associated with lumber the greater part of my life.

The CHAIRMAN. You say you took an inventory about three years ago. Was that a complete inventory?

Mr. SPICKNALL. A complete inventory; yes, sir.

The CHAIRMAN. Have the other departments down there taken inventories within your knowledge?

Mr. SPICKNALL. I think so, yes, sir. I think about the same time an inventory was taken in No. 10 and No. 2.

The CHAIRMAN. What does store No. 10 contain?

Mr. SPICKNALL. They handle metals altogether.

The CHAIRMAN. What does store No. 2 handle?

Mr. SPICKNALL. They handle metals, too, such as bolts, nails, screws, and things of that kind; in fact, general stores.

The CHAIRMAN. You think there was an inventory taken of them, too, about three years ago?

Mr. SPICKNALL. I think about the same time.

The CHAIRMAN. What amount of lumber have you on hand there now?

Mr. SPICKNALL. Really, I could not tell you; around about \$150,000 or \$160,000 worth.

The CHAIRMAN. You think there is about that?

Mr. SPICKNALL. About that, yes, sir.

The CHAIRMAN. Do you remember what your inventory showed three years ago?

Mr. SPICKNALL. I do not, no.

The CHAIRMAN. Do you keep any balance up to show, according to your books, how much you ought to have on hand there now?

Mr. SPICKNALL. Yes, sir.

The CHAIRMAN. And that is about \$150,000 worth?

Mr. SPICKNALL. Yes, sir.

Mr. McMORRAN. You think you have \$150,000 worth of lumber?

Mr. SPICKNALL. About that, yes sir.

Mr. McMORRAN. How long would that last you?

Mr. SPICKNALL. I could not say.

Mr. McMORRAN. Would it last you five years?

Mr. SPICKNALL. Some of it would, and some would not. There is some lumber used very extensively; other is seldom used.

Mr. McMORRAN. Is it necessary to carry that amount of money in lumber all the time?

Mr. SPICKNALL. I think it is quite necessary; yes, sir. We have some lumber that has been kept on hand there some time; but the majority of the lumber is used up very rapidly.

Mr. McMORRAN. Would you turn that over once a year?

Mr. SPICKNALL. I hardly think so.

Mr. McMORRAN. Would you in two years?

Mr. SPICKNALL. I think so.

Mr. McMORRAN. That is, you would turn over \$150,000 worth in two years; you would exhaust the stock in two years.

Mr. SPICKNALL. I think so; that is, the amount of feet that is there; not the kind of lumber that is there, but the amount of feet. I am quite sure.

Mr. McMORRAN. What particular advantage is there in carrying that amount of stock all the time?

Mr. SPICKNALL. They do not know just when they are going to have orders to do certain jobs, and they have to have the lumber on hand to do the jobs when they have orders to do them.

Mr. McMORRAN. Do you have any difficulty in supplying yourselves with lumber on short notice?

Mr. SPICKNALL. We often do; yes, sir. We very often get lumber that is not suitable for the purpose.

Mr. McKINLEY. You have to have seasoned lumber, and you get it by keeping it there?

Mr. SPICKNALL. Yes, sir. A number of times lumber has been rejected.

The CHAIRMAN. Is your lumber down there sheltered well?

Mr. SPICKNALL. Part of it is sheltered and part is not.

(The witness was excused.)

TESTIMONY OF PAYMASTER JOHN H. MERRIAM, GENERAL STOREKEEPER WASHINGTON NAVY YARD.

The witness was duly sworn by the chairman.

The CHAIRMAN. What is your full name?

Mr. MERRIAM. John H. Merriam.

The CHAIRMAN. State the position you hold in the Navy employ.

Mr. MERRIAM. I am a paymaster in the Navy.

The CHAIRMAN. Is that equivalent to the term general storekeeper?

Mr. MERRIAM. No, sir; that is my rank in the Navy. General storekeeper is simply a detail that I hold at this time.

The CHAIRMAN. And at this particular place?

Mr. MERRIAM. Yes, sir; at this particular place.

The CHAIRMAN. I wish you would state your scope of authority in that position.

Mr. MERRIAM. The general storekeeper is in charge of all stores at a navy yard.

The CHAIRMAN. In this particular yard?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Does that include ordnance, lumber, and the supplies for groceries and clothing as well?

Mr. MERRIAM. No; clothing at the present time does not come under the general storekeeper at the Washington Navy Yard. It is ordered from some other station as needed. We do not have clothing down there for issue. For instance, there is one branch down there called the "seamen's quarters," where they furnish the men with clothing.

The CHAIRMAN. That is not under your jurisdiction?

Mr. MERRIAM. No, sir; I have nothing to do with it.

The CHAIRMAN. Is the groceries department under your jurisdiction?

Mr. MERRIAM. No, sir; you mean the commissary store?

The CHAIRMAN. Yes.

Mr. MERRIAM. No, sir; the officer in charge of the commissary store was ordered there as my assistant; but I have nothing to do with running the store whatsoever.

The CHAIRMAN. You do not direct that at all?

Mr. MERRIAM. No, sir.

The CHAIRMAN. Just give us a description of the things that are in your charge as general storekeeper, as briefly as you can.

Mr. MERRIAM. I have all the material that is purchased on requisition for different departments in the yard, and also material purchased on contracts that are made up in the Navy Department and Navy pay office. I have all material that is shipped from any of the yards at our request. For instance, we want some stores that we think we could get cheaper in New York, because they buy a great many stores there, and also maintain a considerable stock, and whenever they have anything they can let us have, we request a shipment, and they are sent over here.

The CHAIRMAN. What kind of material is that that you generally get?

Mr. MERRIAM. Nails, brooms, things that are ordinary commercial supplies that New York keeps a great many of, and they have the biggest contracts and the biggest storehouses. This yard has a very small space for keeping supplies under the general storekeeper. As a consequence, we have to get things in rather small quantities and get them often.

The CHAIRMAN. You have all the ordnance in the yard under your charge?

Mr. MERRIAM. At present. I am getting it by inventory—I am doing an inventory.

The CHAIRMAN. It is in your charge?

Mr. MERRIAM. It is nominally supposed to be on my books, but I never had personal custody of that before until about a month ago.

The CHAIRMAN. You mean to say you have never made any inventory?

Mr. MERRIAM. I never had the power to take an inventory, and it was not in my personal custody.

The CHAIRMAN. In whose custody was it?

Mr. MERRIAM. The superintendent of the naval gun factory.

The CHAIRMAN. But now it has been turned over to you?

Mr. MERRIAM. Yes, sir; and I am now trying to prove my books by inventory.

The CHAIRMAN. It was turned over to you with a book statement as to what was there?

Mr. MERRIAM. It is a very peculiar proposition. I kept the books and the superintendent of the Naval Gun Factory kept the stores—that is, the purely ordnance stores, from a point that all ordnance stores are technical.

The CHAIRMAN. Has there been any inventory, as far as you know, of the ordnance on the ground since you have been either in charge or present there at that place?

Mr. MERRIAM. An inventory was started by me about the 1st of June, 1911.

The CHAIRMAN. That was ordered by you the 1st of June?

Mr. MERRIAM. I will correct that; it was not quite then. I should say about the 15th of May I started it.

The CHAIRMAN. And that has not been completed yet?

Mr. MERRIAM. No, sir.

The CHAIRMAN. How long will it take to complete that inventory?

Mr. MERRIAM. I should say, the way we are getting on now, with the force we have, by the 1st of August I ought to have an inventory.

The CHAIRMAN. And that is the only inventory you know of having been taken of that stock since you have been in the yard?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. How long have you been in the yard?

Mr. MERRIAM. I came there January 24, 1910, as assistant general storekeeper.

The CHAIRMAN. When did you become general storekeeper?

Mr. MERRIAM. On the 1st of July, 1910.

The CHAIRMAN. I want to go back to that later. But I will take up this other matter now in reference to that motor boat down there. When did you put that boat into the cellar of the storehouse there for repairs?

Mr. MERRIAM. Some time, I think, in April or May, 1910.

The CHAIRMAN. After you became general storekeeper?

Mr. MERRIAM. No, sir; I was assistant at that time.

The CHAIRMAN. When did you say you became general storekeeper; in July?

Mr. MERRIAM. Yes, sir; the 1st of July I was ordered there as general storekeeper.

The CHAIRMAN. How much work did you have done on that boat, Mr. Merriam?

Mr. MERRIAM. It is pretty difficult to tell the exact amount. I started in by working myself after hours, when I would finish whatever

I had to do, and during meal hours. Paymaster Hagner was assistant there at that time with me. The boat was finished, but it needed some work on it; it had been hurt in transit. I requested, from time to time, the carpenter to do little things here and there. When the work was completed I requested the carpenter to give me the time he estimated he had put on the work, and also the material he put on the work. He gave me the time, and I deposited my check with the paymaster of the yard.

The CHAIRMAN. When was it that he gave you the time?

Mr. MERRIAM. I think some time in July. I can refer to a paper I have here.

The CHAIRMAN. Certainly.

Mr. MERRIAM (referring to paper). The actual time and labor were not given, as I did not report it. I made the deposit July 22.

The CHAIRMAN. You made the deposit July 22?

Mr. MERRIAM. Yes, sir; for the labor that he had done on it. I can not remember the exact time when he started to do these little odds and ends.

The CHAIRMAN. I believe you said the boat was put in there some time in April?

Mr. MERRIAM. Yes, sir; but work was not started for a long time after that, as I remember. I made a report on December 15 of the labor and material expended by him in repairs to the boat, and that was to be charged against my deposit that I made.

The CHAIRMAN. You mean against your deposit?

Mr. MERRIAM. Yes, sir; against my deposit.

The CHAIRMAN. Do the books show any charge against you?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. When?

Mr. MERRIAM. In December.

The CHAIRMAN. The books show that entry in December?

Mr. MERRIAM. Yes, sir; that is my return to the Navy Department. It shows a special deposit of so much, and so much was debited against my personal deposit, and the paymaster of the station returned me a dollar and some cents.

The CHAIRMAN. That was in December?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. On whose books will those items appear?

Mr. MERRIAM. They will appear on the statement of the general storekeeper to the Bureau of Supplies and Accounts.

The CHAIRMAN. But it will not appear on any books in the book-keeping department of the general storekeeper?

Mr. MERRIAM. No, sir.

Upon returning to the yard the statements in regard to the labor and material expenditures on the motor boat were investigated, and it was found that the deposit was made on July 22, 1910, for \$20 with the paymaster of the yard. In verifying my testimony I discovered that my instructions to Mr. Sartin and Mr. Lucas to show the labor and material as expenditures on the December returns to the Bureau of Supplies and Accounts were not carried out. The charges will be shown on the returns for the month of June, 1911. My report, as shown hereafter in the hearing, however, was forwarded to the Commandant on December 15, 1910.

The CHAIRMAN. They will not appear on Lucas's books?

Mr. MERRIAM. No, sir.

The CHAIRMAN. Nor the books he kept while he was there?

Mr. MERRIAM. No.

The CHAIRMAN. Who keeps the books now that he kept?

Mr. MERRIAM. They are split. Mr. Strohecker keeps half the books—the expenditures—and Mr. Houck keeps the receipts.

The CHAIRMAN. I do not know that I get exactly the idea. You say there are no books down there in your department that show the statement of this matter?

Mr. MERRIAM. No; they would not, and I will tell you why. The labor, of course, goes on our roll.

The CHAIRMAN. That is, the labor of the man working on the boat?

Mr. MERRIAM. Yes, sir. That would go in showing that so much of that labor was to be charged against this check that I made as a deposit.

The CHAIRMAN. Where would that show?

Mr. MERRIAM. On the labor rolls.

The CHAIRMAN. But not in any bookkeeping department?

Mr. MERRIAM. No, sir. You see, we do not keep any books on labor anywhere, ever, in the storekeeper's department.

The CHAIRMAN. Where would the material that was used in the boat show?

Mr. MERRIAM. The material will show on the letter I sent to the commandant and the report of material issued from the naval supply account. It had been brought in there for the purpose of making boxes, or mending around the office, and things of that sort, and that lumber was taken from that stuff.

The CHAIRMAN. So that, so far as the books will show, whatever lumber was taken for that purpose is charged up to the purpose of making boxes?

Mr. MERRIAM. Yes, sir. Then, in my statement to the Navy Department you see it is charged to my deposit. When I got the lumber originally from the lumber yard, it came over on a stub, and that stub—

The CHAIRMAN. Came over to the carpenter's place on a stub?

Mr. MERRIAM. Yes.

The CHAIRMAN. And that stub shows what?

Mr. MERRIAM. It shows the total amount he might get at that time.

The CHAIRMAN. Is there any specific purpose stated in that stub as to what the total is for?

Mr. MERRIAM. No, sir; just supplies. This, however, will be changed on July 1, when the new accounting system goes into effect.

The CHAIRMAN. It is just a sort of a lumber draft he makes?

Mr. MERRIAM. Exactly. It is just about so often; when he gets down low on lumber he makes out a stub for it.

The CHAIRMAN. Then those supplies he orders are rather general and not at all specific as to what the purpose is?

Mr. MERRIAM. No, sir.

Mr. McKINLEY. This carpenter does what you would call odd jobs?

Mr. MERRIAM. Yes, sir; building boxes in case we want to send anything, or mending anything in the office. He is a general utility man.

Mr. McKINLEY. He simply has a moderately small amount of lumber?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Is there anywhere except in your letter to the department that the amount of material used on that boat will be shown?

Mr. MERRIAM. Yes, sir; on the report of issues from the naval supply account.

The CHAIRMAN. You refer to the letter there. Have you the letter there that you spoke of?

Mr. MERRIAM. Yes, sir. The original letter, of course, went to the commandant through the paymaster of the yard.

Mr. MCKINLEY. How large is that boat?

Mr. MERRIAM. Sixteen feet long.

Mr. MCKINLEY. As I understand, this boat was brought there and simply was repaired; is that right?

Mr. MERRIAM. Yes, sir. I bought the boat from the Racine Boat Building Co., knocked down, as they call it, and put it together on board ship.

Mr. MCKINLEY. How many feet of lumber could a carpenter put into that boat in these repairs?

Mr. MERRIAM. You mean in the repairs that were made?

Mr. MCKINLEY. That he did; yes.

Mr. MERRIAM. He told me at the time that he put in about 80 feet.

Mr. MCKINLEY. About how much is that worth a thousand?

Mr. MERRIAM. \$32.50 per thousand, and the amount used was \$2.60.

Mr. MCKINLEY. Perhaps \$2 worth of lumber?

Mr. MERRIAM. Yes, sir; \$2.60.

Mr. MCKINLEY. Mr. Lucas testified under oath here the other day, as I remember, that it was about fifty or sixty dollars' worth. Is he probably mistaken?

Mr. MERRIAM. The whole boat cost only \$65. If you can put \$65 more on that poor boat—

The CHAIRMAN. Have you Lucas's statement there?

Mr. MCKINLEY. My recollection is that Lucas said fifty or sixty dollars.

Mr. MILLER. The carpenter said the lumber actually came to \$2.62.

The CHAIRMAN. Is this a letter or statement made by you lately?

Mr. MERRIAM. This is the letter I kept. A copy of the original letter is in the navy yard.

(The letter referred to is as follows):

DECEMBER 15, 1910.

[From Paymaster J. H. Merriam, United States Navy, to commandant and superintendent, Naval Gun Factory. Subject: Repairs to motor boat.]

Referring to my request for labor and material to repair my motor boat and to the deposit of \$20 incident thereto:

1. The following expenditures, amounting to \$18.44, have been incurred under the deposit: Labor, \$15.84; material, \$2.60; total, \$18.44.

2. This amount will be shown on the December summary.

The CHAIRMAN. What is the assistant messenger's name?

Mr. MERRIAM. George Lowry, who is a common laborer, and he was found to have some slight intelligence; so I took him for the purpose of doing messenger service when my regular messenger was either sick or away. About the time I did take him, I discovered that he was rather bright, and I asked him if he would like to do some work outside of Government hours for me, personally. He said he

would be very glad to. I cautioned him before he went on with the duty that he was not to work under any conditions in Government time. He was supposed to arrive at my house in the morning at 7 o'clock, take care of my boots, brush my clothes, dust off my automobile, and after hours, if necessary, if I wanted anything to be done with the boat, he was to look after it. But he was cautioned a number of times not to do anything in Government hours.

The CHAIRMAN. What were his duties in Government employ?

Mr. MERRIAM. He was supposed to be, and was, in store 2, to sweep up and do any labor that might be necessary; for instance, getting in barrels, stuff coming in, such times as I did not have him up on messenger service, which were not very often. He makes four or five trips daily to the different parts of the yard where I have out-lying store men, and he will go to the commandant with messages. But his regular labor is in the storehouse, lifting and cleaning up.

The CHAIRMAN. What are his hours where he is required to be on hand?

Mr. MERRIAM. He is supposed to be on hand at 8 o'clock and stay until 4.30, with a half hour for luncheon.

The CHAIRMAN. After that time his time is his own, under the Government rules?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. You say you only had him to work for you not during Government hours?

Mr. MERRIAM. Yes, sir; and, to the best of my knowledge, he carried it out.

The CHAIRMAN. Did he do any material part of the work, sweeping out, lifting, and things of that sort?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Was he pretty constantly kept at work there during the time of his employment?

Mr. MERRIAM. I understand so. Since Mr. Lucas's testimony has come out I have investigated, and I find that whenever he had been out—of course, it is very difficult when once a man is put on a messenger service to keep his time going out.

The CHAIRMAN. As a messenger you used him for sending messages here and there, and any little errand that was needed to be done about the Government's premises?

Mr. MERRIAM. Exactly; on official business.

The CHAIRMAN. What did you pay him for his outside work?

Mr. MERRIAM. \$4 a month; a dollar a week.

The CHAIRMAN. And he was getting from the Government \$2 a day?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Did that run on Sundays?

Mr. MERRIAM. He used to come down Sundays and do his regular work for me. The Government does not pay him for Sunday.

The CHAIRMAN. I do not mean what he did for you, but for the Government. Did that amount to \$60 a month?

Mr. MERRIAM. No, sir; you see, he gets paid only for the work days.

The CHAIRMAN. Six days a week?

Mr. MERRIAM. Yes, sir; he is a per diem man.

The CHAIRMAN. Something less than \$60 a month?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. I have no further questions to ask about that matter, gentlemen. Some of the members of the committee may wish to ask additional questions.

Mr. BOOHER. Are you through with the motor boat?

The CHAIRMAN. Yes.

Mr. BOOHER. Mr. Merriam, the total repairs, lumber, and material allowed on that boat amounted to \$18.44?

Mr. MERRIAM. Yes, sir.

Mr. BOOHER. That covered the total amount of work and material that the Government furnished on that boat?

Mr. MERRIAM. Yes, sir.

Mr. MCKINLEY. And the boat originally cost only \$65?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. I will ask you about the automobile. What was your deposit on that?

Mr. MERRIAM. I think it was \$32.94, if I remember correctly. [Referring to paper.] Here is the cancelled check; \$32.94.

The CHAIRMAN. Who did that work.

Mr. MERRIAM. The department of yards and docks. I had nothing whatever to do with that work. I turned over the automobile, and that is all I had to do with it until the automobile was returned back to me. I requested the commandant and he forwarded it to yards and docks, who put an estimate on it, and I deposited whatever the estimate was. When the work was finished they told me how much it was and gave me back the balance.

The CHAIRMAN. You put it in there on an estimate and when it was taken out the account was settled?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Was it more or less than the estimate?

Mr. MERRIAM. It was less.

The CHAIRMAN. You do not know anything about the length of time that was taken to do it?

Mr. MERRIAM. No, sir; I have not the slightest idea.

Mr. BOOHER. Mr. Merriam, do you not think it would be a good idea if there was no work done in those shops for the officers down there at all?

Mr. MERRIAM. Yes, and no. I should say yes, as in many cases an officer's machine is used to transact Government business.

Mr. BOOHER. That would be very true; but it would save all this discord and contention about officers having their work done there, if they did not practice it at all. Do you not think it would be a good thing if the Secretary of the Navy should make a regulation that the officers in the navy yard should have no work done down there in the yard at all?

Mr. MERRIAM. That is something I would not like to answer.

Mr. BOOHER. Very well.

The CHAIRMAN. Along that same line, I want to ask this question, as to whether it would not be better not to permit any official who had the employment of a laborer for the Government to have any incidental or temporary employment of the same laborer himself?

Mr. MERRIAM. Yes, sir; I agree with you there.

The CHAIRMAN. Not raising any question, now, about whether it was right or wrong for you to have your messenger employed during nonoffice hours. But human nature is human nature, and the

tendency and temptation might be to use Government labor or Government employees more for your individual benefit than for the Government, and I am not applying that to this case any more than to any other, because I believe it is a bad policy.

Mr. MERRIAM. It is likely to cause criticism.

Mr. McKINLEY. Mr. Chairman, is not the whole policy of the issuing of rations, the issuing of money, rather out of date? For instance, Mr. Merriam, I suppose, is allowed so much money for his board; are you not, Mr. Merriam?

Mr. MERRIAM. No, sir.

Mr. McKINLEY. A navy officer is?

Mr. MERRIAM. No, sir.

Mr. McKINLEY. For instance, a Navy officer on a ship is not allowed so much?

Mr. MERRIAM. Not a cent. He buys his own. The men are allowed 30 cents a day or a ration; the Government furnishes their rations—the paymaster feeds them. But the officers are not allowed a cent.

Mr. McKINLEY. They have to pay their own board, do they not, on a ship?

Mr. MERRIAM. Yes, sir.

Mr. McKINLEY. Is it not all a very awkward arrangement? Why should not the Government board the men and board the officers on board ship?

Mr. MERRIAM. It should.

Mr. BOOHER. That is new to me—that the officers have to board themselves. I supposed they were boarded like the men.

Mr. MILLER. You are allowed something for maintenance of horses, are you not?

Mr. MERRIAM. No, sir; not to my knowledge. Not naval officers.

Mr. MILLER. Do they have a substitute for a horse in the Navy, in the nature of a boat?

Mr. MERRIAM. No, sir. We have no perquisites at all. The only things we have are heat and light and quarters allowance when they are not supplied by the Government.

Mr. MILLER. There was one other point that ought to be mentioned. For instance, testimony has been received in regard to this: I think the carpenter testified to having put a panel in your automobile on which no estimate was made and no charge made. Do you recall that?

Mr. MERRIAM. No; I do not.

Mr. MILLER. A sort of a front board in the box of the automobile; and he also applied a coat of paint, and in each of those two instances he said that no estimate was made and no charge made against you for it, as far as he knew.

Mr. MERRIAM. That was supposed to have been in the estimate of yards and docks.

The CHAIRMAN. That is, in the amount you paid when you put it in there?

Mr. MERRIAM. Yes. I understood it was all included.

Mr. MILLER. The testimony is that there was about three months difference in the time between the two events.

Mr. MERRIAM. The only time I remember the automobile being fixed was at that time I spoke of; the time I paid for it.

In verifying the testimony I discovered that this work of installing the panel and painting the automobile by Mr. Trazzare was done. Steps will be taken immediately to reimburse the Government for this work.

The CHAIRMAN. Mr. Merriam, I want to get at another matter. How often do you send up a statement from your department to the Navy Department, generally? Do you send up a quarterly statement?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Who makes that out?

Mr. MERRIAM. At the present time it is made out by Mr. Strohecker. He is supposed to make all returns to the department except in the case of coal; that is, bituminous coal issued to ships and tugs.

The CHAIRMAN. Will you state the character of this quarterly report, or quarterly return? What is the nature of it, and everything?

Mr. MERRIAM. They have a statement of expenditures and receipts chargeable to appropriations. Here is an abstract of receipts and expenditures by material, by classes. I remember Mr. Sims mentioned this in his testimony, and I thought you gentlemen would like to see it.

The CHAIRMAN. This is receipts and expenditures?

Mr. MERRIAM. Yes, sir; it goes by classes.

The CHAIRMAN. Is that the way the quarterly report that your bookkeeper sends up is made out?

Mr. MERRIAM. Yes; it is taken from the class book.

The CHAIRMAN. That does not include items of material and all?

Mr. MERRIAM. No, sir; not items.

The CHAIRMAN. You have the stock book and the class book?

Mr. MERRIAM. Yes, sir; I have the stock book and the class book and expenditure and receipt book.

The CHAIRMAN. This is what you might call the book receipts, and this the book expenditures. Have you now what you call a set of papers that ought to tally with this book of receipts?

Mr. MERRIAM. Not with that. They do not go up with that.

The CHAIRMAN. Have you what you call file receipts and file expenditures?

Mr. MERRIAM. Yes. For instance, things coming in from other navy yards; that goes to the receipts and expenditures book. What they call a summary of stub requisitions is made out at the end of each month, covering all the stub requisitions.

The CHAIRMAN. That is what Mr. Strohecker uses?

Mr. MERRIAM. No. That paper is kept out on the class book, and the class book is made out from the receipts and expenditures book. The book gives the number of the voucher, the date, from whom received, the class, and the amount, the same thing applying on the expenditure side, with the class. This has been going on for some years. At the end of the month the bookkeeper takes all the classes he sees in this column, and he enters them in the class book, receipts and expenditures. Then that paper is made up, the totals in each class, in the class book.

The CHAIRMAN. That is made up from the class book by the bookkeeper?

Mr. MERRIAM. Yes.

The CHAIRMAN. Into one sheet for a general monthly report?

Mr. MERRIAM. Exactly, showing how much is in each class. The receipt and expenditure book shows all the different kinds of invoices and shipments received in the yard or purchased.

The CHAIRMAN. Does that show the stock, now; is that your stock book?

Mr. MERRIAM. No, sir; I have not got a stock book. This is just the receipt and expenditure book. Then these are all taken off; we make these entries from these papers; they are put together on a sheet; and that is sent with the vouchers to the Navy Department.

The CHAIRMAN. That sheet with the vouchers?

Mr. MERRIAM. Yes, sir. Not the sheet of the book, but I mean the sheet that we have prepared. We prepare a sheet showing all these vouchers, and those are attached to it. On the expenditure side we take all the stubs and make a summary at the end of each month; that summary is signed by the officer, the head of the department, and is sent in as a substantiating voucher for those entries in the book.

The CHAIRMAN. What I want to get at is, this voucher is put in there and filed away, and that is what you call your file voucher?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. And they are file expenditures and file receipts?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. When you made this last quarterly statement, was there any difference between the book receipts and expenditures and the file receipts and expenditures; was there any failure of those two?

Mr. MERRIAM. There was a great deal of failure for a long time.

The CHAIRMAN. That is what I am getting at; what was the matter with those books?

Mr. MERRIAM. I worked personally for nearly two or three weeks trying to reconcile them.

The CHAIRMAN. Trying to square your files with your books?

Mr. MERRIAM. Exactly.

The CHAIRMAN. Let me see if I can get that, because this thing gets muddled up in my mind, and probably I can help you, and the committee can help us both. As I understand, you have all the charges and receipts each one of them there is a voucher for, and that is what you call a file voucher?

Mr. MERRIAM. Exactly.

The CHAIRMAN. And your books ought to correspond with all these vouchers; the sum total ought to be the same?

Mr. MERRIAM. Yes.

The CHAIRMAN. You say that when you really figured it up to get your quarterly report you found one of the vouchers did not correspond with these file receipts by some considerable sum?

Mr. MERRIAM. It was not very much. You see, we have four accounts, and we have a bookkeeper to keep them, and after he put them onto the books—these vouchers—they evidently got mislaid.

The CHAIRMAN. That is what I want to get at.

Mr. MERRIAM. That is the point. They got mixed up to such an extent that it took us all this time to get it down, as near as we could, to the total of the four. There was practically no difference, but to get those four straight was very, very difficult, on account of the lack of experience of this man, who was a young man, learning.

The CHAIRMAN. Who was that?

Mr. MERRIAM. That is Mr. Strohecker. He has just gone on the books.

The CHAIRMAN. How could that difference arise? You say there were four bookkeepers' accounts involved?

Mr. MERRIAM. Yes, sir; what we call four accounts. There is naval supply account (a).

The CHAIRMAN. Who had charge of that?

Mr. MERRIAM. This same man who had it during that quarter, from February 1. He had naval supply accounts A and B, and accounts AA and BB, four distinct accounts, as well as accounts C and D, which are the survey and condemned accounts.

The CHAIRMAN. How could the difference arise? You did not state exactly what was the difference between the file receipts and book receipts; do you recall?

Mr. MERRIAM. No, sir; I do not. It is all noted in each book, exactly what the difference was.

The CHAIRMAN. There was a difference in each one of those books between the file receipts and the book receipts?

Mr. MERRIAM. None of them balanced.

Mr. McKINLEY. Then this is rather a deficiency in accounting, is it not, which could in a manner be improved?

Mr. MERRIAM. That is exactly what I am endeavoring to do now.

Mr. McKINLEY. Is not the Secretary of the Navy endeavoring to do that also by sending experts there now?

Mr. MERRIAM. Yes, sir.

Mr. McKINLEY. Going through all the accounting?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Have you had several people working on those books since the last quarter?

Mr. MERRIAM. Yes; two men have worked on them.

The CHAIRMAN. Trying to get the balances correct?

Mr. MERRIAM. Yes, sir. The balances in all of the receipts and the expenditures have been proven by me since that time. He has nearly finished with his last accounts.

The CHAIRMAN. That is, these two experts examining?

Mr. MERRIAM. No, sir; I have not had any experts down there.

The CHAIRMAN. I thought you said you had some men down there trying to straighten things out?

Mr. MERRIAM. That is accounting; that is different from my work.

The CHAIRMAN. You have been trying to straighten out this difference?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Have you not had anybody else working on that?

Mr. MERRIAM. No, sir; we have been trying to do it ourselves.

The CHAIRMAN. What are the experts doing?

Mr. MERRIAM. We have no experts.

The CHAIRMAN. I thought you said you had two experts working on that in some respect?

Mr. MERRIAM. No, sir; I did not mean that if I did say it. I had two men working on it, only one prior to April 1.

The CHAIRMAN. Who are the two men you have working on it now?

Mr. MERRIAM. Mr. Strohecker and Mr. Houck.

The CHAIRMAN. They are working on it trying to bring it out of the tangle?

Mr. MERRIAM. No, sir; we have not touched it. There is no use. Either they have entered the papers wrong in the accounting and lost the papers, or they should not have put it on there at all, or the papers should not have gone through the books at all.

The CHAIRMAN. Do you mean you have just left that want of balance there, and there is no use to worry with it any further?

Mr. MERRIAM. There was not anything to do.

The CHAIRMAN. That is what I want to find out. If your file receipts do not balance with your book receipts, one of them is wrong.

Mr. MERRIAM. Exactly.

The CHAIRMAN. Is there any way you can find out which is wrong?

Mr. MERRIAM. No; we know that the book must be wrong, because we have hunted everything that there is; everything that went through every other branch does balance. So we know that the file that went up to the Navy Department is correct.

The CHAIRMAN. I do not know that I understand this situation. I have been trying to.

Mr. MCKINLEY. What is it all about?

The CHAIRMAN. My understanding is that these file receipts and book receipts, file expenditures and book expenditures, when the last quarterly report was made did not show the same result; one was made from the other, and they ought to have been the same, but that there was a difference between the file receipts and book receipts of several thousand dollars.

Mr. MERRIAM. The report, you see, did not go from the book.

The CHAIRMAN. What did it go from?

Mr. MERRIAM. From the actual vouchers. The vouchers from time to time are put on the book; matters of record.

The CHAIRMAN. Those books ought to agree with the vouchers, ought they not?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. What is the difference between them?

Mr. MERRIAM. I can not tell you at this time; I can find out.

The CHAIRMAN. Was it several thousand dollars?

Mr. MERRIAM. I really could not say the aggregate. As I remember, there was one of three dollars and something; there was another one of \$180; there was another one of about \$800; and another one of about \$600. There were four differences in all of these accounts, but the aggregate I do not remember.

The CHAIRMAN. Could that have happened in this way: You have your men in charge of receipts and expenditures—for instance, your lumberman.

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. He receives so much during the quarter, which he makes a memorandum of, and there is a duplicate stub, and he expends so much on stub requisitions, as I understand it (as near as I can get at an understanding of it). When this man down there in the lumber yard spends something he takes his duplicate stub and sends that to one place?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. And his original to another place, and these expenditures and receipts go through different channels after they leave the man in charge of the lumber yard, for instance?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. If that thing goes to your bookkeeper and he enters it on his books, and afterwards in going to the file where the navy yard would make up the file it should become lost or mislaid, then, when this quarterly report begins to be compared with the file receipts there would be a discrepancy, would there not?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. So that the loss of any of those papers, between the time they pass through the hands of the bookkeeper and the time they get to their final resting place in the files, would result in a discrepancy?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Do you know if that is possibly the way to account, and the only way to account, for these discrepancies we speak of; or how do you account for them?

Mr. MERRIAM. I can not account for them. I have worked there nights trying to account for them.

The CHAIRMAN. The fact is you spent over a month trying to get that thing straightened out?

Mr. MERRIAM. Yes, sir; and the whole thing seems to me to have resulted from something like this. The bookkeeper was a little remiss, maybe, in putting down enough to identify the voucher, to tell what kind of a voucher it was. Maybe he would say invoices, and leave out the number, or something of that sort. That might have been a paper he picked up and put on those books that had no business on there. There are always duplicates of every invoice, and he might have put one on twice. Things of that sort might occur.

The CHAIRMAN. If he gets an invoice and puts it down on his books, the minute he gets it he puts it away?

Mr. MERRIAM. I wish he could. He could not put it down every time on the minute, because we have not force enough.

The CHAIRMAN. At least he leaves it there until he puts it down, and when he does, he puts it somewhere else?

Mr. MERRIAM. He is supposed to put it right on the file the moment he puts it on the book.

The CHAIRMAN. Is there not something radically wrong about a system of bookkeeping under which you have these vouchers and the books sensibly apart at the end of the quarter?

Mr. MERRIAM. Yes, sir; and since the 1st of April I have thought that, and I have an entirely different system now, sir.

Mr. FAISON. Would that be the fault of the system or just the negligence of the man? You say you can not find what is the matter. It is very apparent that the file or that number was destroyed or lost or something, and you did not have it.

Mr. MERRIAM. Exactly.

Mr. FAISON. I would not say it was the fault of your system. It is the negligence of one man in regard to that matter, is it not?

Mr. MERRIAM. Yes, of course; but what I am trying to do now is to know what voucher would be lost.

Mr. FAISON. Was the difference in favor of the books or in favor of the files?

Mr. MERRIAM. In favor of the files. There are more things on file than there are on the books.

Mr. FAISON. Supposing the case that that file was lost, swept away and burned up; it would not be a fault of your system; it would be just negligence in regard to that one file voucher?

Mr. MERRIAM. I do not think that the particular system at the time was good.

Mr. FAISON. What was the other reason for changing the system? You had to have more reasons. I do not see any use of changing a whole system of keeping books because you lost two or three files.

The CHAIRMAN. Let me suggest to you that if there was more on the files than there was on the books, it shows something was not entered on the books that was on the files.

Mr. FAISON. I say there was not a mistake in the system of book-keeping; it was just a mistake in not entering these four items. What is the other trouble with the system, that you changed it?

Mr. MERRIAM. I did not change the system; I only changed the method of getting the entries posted to the books. That is, the daily report of receipts and expenditures which are brought in by the store laborers.

Mr. FAISON. The point I was after was this: There have been three or four men in here and all of them have testified that, under the new system, things have been so complicated that they could not get hold of it, and that is the point we have got to get at. Two or three men have said that the system was changed, and you said that was changed only for that one purpose.

Mr. MERRIAM. I would like to qualify that.

Mr. FAISON. You are not changing your system, then?

Mr. MERRIAM. No, sir; not in that. I still have the books and I still post the vouchers the same way.

Mr. FAISON. That is what you have been saying—you changed your system; instituted a new system.

Mr. MERRIAM. I have instituted a new system for this reason, that I do not take up by public bill any more; I take up by what they call an "inspection call." When the goods are received, and they have passed an inspection, then the Government becomes liable that moment.

Mr. FAISON. You mean anything you receive?

Mr. MERRIAM. Yes. It becomes liable the moment it is inspected and passed, not when it is paid. Heretofore it has been taken up when it is paid, and only then.

Mr. FAISON. You inspect it as soon as it is received?

Mr. MERRIAM. As soon as it is received it is inspected by the inspecting officer.

Mr. FAISON. How long have you been general storekeeper?

Mr. MERRIAM. Just about a year the 1st of July, 1910.

Mr. FAISON. When you went in as general storekeeper you had a book record of everything, did you not?

Mr. MERRIAM. No, sir.

Mr. FAISON. A book record of everything in the yard and in the store?

Mr. MERRIAM. Oh, yes; I had a card at that time—a card record.

Mr. FAISON. Of everything in the yard?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. Did you have an inventory then which verified your card?

Mr. MERRIAM. I started an inventory at that moment, the 1st of July, last.

Mr. FAISON. You began your inventory then?

Mr. MERRIAM. Yes.

Mr. FAISON. No inventory was turned over to you?

Mr. MERRIAM. No.

Mr. FAISON. You just had a card record, but this card has not been verified since?

Mr. MERRIAM. It has been verified since, and I do not think, from the reports I get from the storemen, that there is an article now that has not been inventoried.

Mr. FAISON. I thought you said you had not received it.

Mr. MERRIAM. That is ordnance, which is different. I only got the custody of ordnance a month ago.

Mr. FAISON. But you had a verification of everything immediately?

Mr. MERRIAM. Yes, sir; because it took nearly a year to do it. From time to time, as material would get low, I would have an inventory, and on that line he would put it down, if there were any discrepancy; it would be noted and he puts his initials and date.

Mr. FAISON. What was the difference between the card record and the verified inventory?

Mr. MERRIAM. There did not seem to be any.

Mr. FAISON. So that puts you absolutely in charge of everything?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Do you mean that your actual inventory corresponded right straight with your book statement of what you ought to have on hand?

Mr. MERRIAM. It is a very technical thing, but I could not very well, until I finish it all, take it all up. The 30th of June I will compare each and every class, to find out whether my class ledger and the actual stock on hand are the same.

Mr. FAISON. You propose to do that every year?

Mr. MERRIAM. Yes, sir; I propose to do that every year—and then charge off, or take up—

Mr. FAISON. Have you a record there of how much you have—have you verified it?

Mr. MERRIAM. No, sir.

Mr. FAISON. Where is that?

Mr. MERRIAM. I have the class balance on the 31st day of March, but that does not show the reconciliation I have to make because, as I say, at that time the inventory was not complete.

Mr. FAISON. It will be complete by the 30th of June?

Mr. MERRIAM. Except in ordnance.

The CHAIRMAN. That, Mr. Merriam, as I understand, just shows what the books show ought to be there?

Mr. MERRIAM. Yes. Under accounts (a) and (b).

The CHAIRMAN. That March balance?

Mr. MERRIAM. Yes.

The CHAIRMAN. But your actual inventory you will have completed in June?

Mr. MERRIAM. The 30th day of June.

Mr. FAISON. There has been a good deal of complaint about your change in system, both by Mr. Sims and Mr. Lucas, and by other men who had anything to do with it, and that is the point. You said awhile ago that you changed your system, and now you say you changed your method of charging these things.

Mr. MERRIAM. Yes, sir.

Mr. FAISON. You might explain that.

Mr. MERRIAM. By the method, gentlemen, I am striving for a balance daily. I am trying to get that in working order with the storeman, who makes his daily expenditures and receipts, takes the vouchers to the bookkeeper, and his footings by classes to the chief bookkeeper.

The CHAIRMAN. Whose footings?

Mr. MERRIAM. The footings of the storeman. Whatever his total expenditures and total receipts are he hands those to the clerk every morning.

The CHAIRMAN. Who is the chief clerk?

Mr. MERRIAM. Mr. W. R. Pattison, a pay clerk in the Navy. All the papers go to the bookkeepers. They balance their books and turn in their balance to the chief clerk, who finds out whether they have balanced with all these storemen. That gives him a balance daily.

The CHAIRMAN. You have a man come and simply turn it in to Pattison?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. If he makes a mistake in that and turns in the items to somebody else, those books will not agree, will they?

Mr. MERRIAM. You do not understand me. Eight storemen turn in——

The CHAIRMAN. Who are they?

Mr. MERRIAM. Messrs. Spicknall, Minor, Canton, Stephenson, Sims, Brennan, Hollis—he is acting now—and Goldberg.

The CHAIRMAN. They turn in two different cards. What is it they turn in to Pattison?

Mr. MERRIAM. They make out a slip of paper, put the date, their number, receipts so much, and expenditures so much, and that is turned in every day by them. At the same time that they come over with that they bring over all the data that made that. That goes right straight to the bookkeeper, that data, in a lump.

The CHAIRMAN. To which bookkeeper does that go?

Mr. MERRIAM. The receipts would go to Mr. Houck, the expenditures would go to Mr. Strohecker. They put that on the book, and add that up.

The CHAIRMAN. That is all the items they get?

Mr. MERRIAM. Yes, sir; that these storemen have had before.

The CHAIRMAN. That goes onto Strohecker's books and Houck's books?

Mr. MERRIAM. Exactly.

The CHAIRMAN. I suppose those bookkeepers verify the additions?

Mr. MERRIAM. That is their business to go over their multiplications.

The CHAIRMAN. And correct them?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. How about Pattison?

Mr. MERRIAM. He takes the totals of these eight.

The CHAIRMAN. From whom; from the storemen?

Mr. MERRIAM. From the storemen.

The CHAIRMAN. Does he have any way of verifying it?

Mr. MERRIAM. I do not want him to verify it. He takes what they say.

The CHAIRMAN. Supposing the storeman has made a mistake?

Mr. MERRIAM. That will appear in the books.

The CHAIRMAN. Pattison's summary will not agree with Houck's and Strohecker's books, will it?

Mr. MERRIAM. Exactly; then they will find out where the trouble is.

The CHAIRMAN. Does not that very system involve a possibility of these contradicting books, that idea of having your storemen make up these summaries instead of your bookkeepers doing it?

Mr. MERRIAM. They do the same things; they check each other; they have to balance.

The CHAIRMAN. But you have one man who keeps summaries?

Mr. MERRIAM. He is the central bookkeeper. You might call him the head bookkeeper.

The CHAIRMAN. The chief bookkeeper.

Mr. MERRIAM. Yes, sir; call him the chief bookkeeper. He is the man who just simply adds those up, and when the bookkeepers come in with their balances of expenditures and receipts, they must check. If they do not, there is something wrong.

The CHAIRMAN. Have you been having a good deal of difficulty in getting those things balanced?

Mr. MERRIAM. No, sir; very little.

Mr. FAISON. Why do these bookkeepers complain of that system?

Mr. MERRIAM. I do not know of any of them complaining, except the ones——

Mr. FAISON. There have been complaints brought to us.

Mr. MERRIAM. I must say I have not a bookkeeper in my office. They call themselves bookkeepers, but they do not know any more about books——

Mr. FAISON. They complain at you and you complain at them, and both of you bring your complaints down here. That is what we want.

Mr. MERRIAM. I do not consider any man who puts down nothing but expenditures and receipts a bookkeeper, in the technical meaning of "bookkeeping."

The CHAIRMAN. You mean, when you say you have not a bookkeeper in the office, that the men are incompetent for their duties?

Mr. MERRIAM. I do not think they ever should have had any rating as bookkeepers.

Mr. FAISON. And your ground of complaint is their failure to keep these books up for the last three months?

The CHAIRMAN. How many men are there there who are supposed to be bookkeepers?

Mr. MERRIAM. Mr. Sims is down as a bookkeeper.

Mr. FAISON. Mr. Sims, in his testimony, makes complaint that you take these cards, for instance, and, say, put down 1,000 feet of lumber a certain day at a certain price. He says through an ordinary working man making \$1, or \$1.10, or \$1.04; and he says men getting wages like that are the men who are going to make mistakes, and when he and the other expert bookkeepers figure it out they find it out, and he puts it on this man. He says there is where the trouble is. I am just telling you what he says here. You have seen his testimony yourself.

Mr. MERRIAM. Mr. Sims is doing the duty of a \$2.50 man, or even of a \$2 man. He is doing no more than any of those store laborers—not common laborers; they are store laborers. They have a perfect

right to do the work they are doing by civil-service rules. I have the memorandum here showing exactly what a storeman can do, and Mr. Sims is doing that only. Therefore all those seven men are bookkeepers, according to their statement; but they are not.

The CHAIRMAN. Somehow or another, then, if none of those men in your office are really competent——

Mr. MERRIAM. Lots of them are competent; but to be a bookkeeper means something to me. I am not expert myself; but I know what a bookkeeper is, or ought to be.

The CHAIRMAN. It is pretty hard on the Government if they have had men in those places as bookkeepers, for, lo, these many years, if they are not.

Mr. FAISON. These men seem to be storekeepers?

Mr. MERRIAM. Exactly. If you put any of those men in a big commercial house and told them to go ahead and keep the books, I would be very loath to have to stand for it.

The CHAIRMAN. Have you a first-class bookkeeper in the whole business?

Mr. MERRIAM. I do not know of one. I think the best man in the office is Mr. Blue, and he says he is not a bookkeeper.

The CHAIRMAN. Right to start with, along that particular line, is it not a very essential thing that a Government establishment of the size of that yard should have not only one but several real first-class bookkeepers?

Mr. MERRIAM. I do not think it is necessary. The books are simple; they are not technical. They are very simply run. You do not need high class, technical men.

The CHAIRMAN. Is it not a fact that there is a great deal of confusion in the Navy Department over these accounts and statements, and things of that sort, not only in your yard, but clear up to the department?

Mr. MERRIAM. The Paymaster General can inform you as to that.

Mr. FAISON. Do you know whether when you went in charge an inventory was made?

Mr. MERRIAM. No, sir.

Mr. FAISON. Have you any records in your office, any previous books, that would show an inventory where there is a settlement between the practical inventory and the card account, which would verify the card account?

Mr. MERRIAM. No, sir.

Mr. FAISON. Are there no records of that kind?

Mr. MERRIAM. No, sir.

Mr. FAISON. How far back have you looked to see?

Mr. MERRIAM. I did not look back at all.

Mr. FAISON. You are making monthly balances now, are you not?

Mr. MERRIAM. Yes, sir; we are trying to balance the books monthly.

Mr. FAISON. Should not your books now show monthly balances back of the time of your going in?

Mr. MERRIAM. No, sir. They were supposed to show quarterly balances.

Mr. FAISON. Is that a balance between the books and the verified inventory every quarter?

Mr. MERRIAM. I could not tell you that; never since I have been there.

Mr FAISON. I am not talking about since you have been there. You have explained that; but before you were there?

Mr. MERRIAM. I do not know.

The CHAIRMAN. If there has been any actual inventory, the books somewhere ought to show it, ought they not?

Mr. MERRIAM. They should.

The CHAIRMAN. And you know of no inventory in recent times?

Mr. MERRIAM. No, sir.

Mr. FAISON. Could you not look over your books and let us know about that?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. Have you not any chief clerk or any officer who could look and let us know about that?

Mr. MERRIAM. As far as I know, none has ever been completed.

Mr. FAISON. As far as you can hear about, none has been taken?

Mr. MERRIAM. No, sir.

Mr. FAISON. Are these men kicking now about you wanting to verify your books? Are they complaining about that as extra work on your part?

Mr. MERRIAM. No, sir; not the slightest. In fact, I think everybody seems to be very glad to verify it, and everybody, I think, in my office is taking a great deal of interest in what I am doing.

Mr. FAISON. Do you not think it is a loose and incompetent way of running business, in the navy yard there, to have never taken any inventory?

Mr. MERRIAM. I do, in a way. It is a matter of policy again. I could not understand it. I tried to take an inventory there once myself, when I was assistant; but I had to go to sea.

Mr. FAISON. That was before you took charge?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. You went in as assistant in January and you became general storekeeper in June?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. What did you try to do?

Mr. MERRIAM. I went right to work, as I told you, and commenced to take each item and verify it as it got low, each bit of material; and now, as I say, it is nearly finished.

Mr. FAISON. But when you tried—you said you tried and could not do it?

Mr. MERRIAM. That was back in 1900.

Mr. FAISON. 1910, you mean?

Mr. MERRIAM. No; 1900.

Mr. FAISON. That was 11 years ago?

Mr. MERRIAM. Yes, sir. I was assistant there for two or three weeks, and I started in to take this inventory, but I was ordered to sea. So I do not know whether they ever took it or not, whether they ever finished it or not. The greatest trouble in taking an inventory in a large place like that is to try to reconcile the books with the material.

Mr. FAISON. How much did your books show when you went in as general storekeeper that you had on hand?

Mr. MERRIAM. I could not tell you that offhand.

Mr. FAISON. Have you a record there?

Mr. MERRIAM. No, sir.

Mr. FAISON. Do not your books show?

Mr. MERRIAM. My class return would show.

Mr. FAISON. How much do you imagine that would be; about how much stock do you carry?

Mr. MERRIAM. I should think between eight and ten million on everything, ordnance and everything of that sort.

Mr. FAISON. And when you took possession of this you presume that there was about that much stuff?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. And yet there had been, as far back as you know, no inventory which demonstrated or verified the truth?

Mr. MERRIAM. As far as I know there was none.

Mr. FAISON. Do you not think that is a very bad kind of a business policy that a concern should carry \$5,000,000 worth of lumber and steel and everything that goes into the construction of guns and boats, and all that sort of thing, and yet keep no inventory of a \$10,000,000 stock?

Mr. MERRIAM. I do, sir.

Mr. FAISON. Did you ever hear of any business concern, in your knowledge, that carried \$10,000,000 worth of ordinary destructible stuff—

Mr. MERRIAM. No, sir; I did not. But all this stock in the navy yard is not destructible. It includes spare guns, etc.

The CHAIRMAN. How often ought there to be an inventory of an establishment like that?

Mr. MERRIAM. Continually. That is the only way, I think, you can ever reconcile it.

Mr. FAISON. It would take a continual working at it to get it out at the end of the year?

Mr. MERRIAM. That is it, exactly.

The CHAIRMAN. So that in the round-up you ought to have what you call, practically, an inventory, once a year?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. And you say you will have this ordnance inventory completed by the 1st of June?

Mr. MERRIAM. No, sir; I think by the 1st of August.

Mr. FAISON. Who preceded you as paymaster and general storekeeper?

Mr. MERRIAM. Pay Director Martin.

Mr. FAISON. And who preceded him; Carpenter?

Mr. MERRIAM. I do not remember. I was away at sea.

Mr. FAISON. Where is Paymaster Martin now?

Mr. MERRIAM. In the yard, as paymaster of the yard.

Mr. FAISON. How often are you changed—every three years?

Mr. MERRIAM. That all depends upon the grade of a man. If he is a young man he does not stay so long; if he is an older man he stays longer.

Mr. FAISON. About how long?

Mr. MERRIAM. About three years; that is the idea.

Mr. FAISON. Is it your idea that the other navy yards—in New York, Charleston, and everywhere—are run as loosely as this one has been heretofore?

Mr. MERRIAM. That is something I do not know about.

Mr. FAISON. How long was Mr. Martin general storekeeper previous to your going in there?

Mr. MERRIAM. I do not know; about three years.

The CHAIRMAN. Have you any idea at all as to the amount of goods on hand in the department kept by the grocery establishment here?

Mr. MERRIAM. You mean the commissary store?

The CHAIRMAN. Yes; that is not directly under you, as I understand.

Mr. FAISON. Will you be able to give us a verified inventory the 30th of June?

Mr. MERRIAM. In all items——

Mr. FAISON. In the ordnance and everything?

Mr. MERRIAM. No, sir; all except in ordnance.

Mr. FAISON. The 30th of June?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. You think you will be able to give us a verified book statement and then verify it by an actual inventory?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Do you have anything to do with the buying of the commissary supplies?

Mr. MERRIAM. No, sir; except that the requisitions at the present time go through my office, that is all; and I make out the public bills for them and send them up to the pay office, where they are paid.

The CHAIRMAN. Do you know anything about the contracts for supplies in the commissary?

Mr. MERRIAM. No, sir; not any more than, as I say, they make out the requisition for supplies down in the store and that comes to my office and is numbered.

Mr. FAISON. That is, one of these four storekeepers?

Mr. MERRIAM. Oh, no, sir; it has nothing to do with the general store at all. The commissary store has nothing to do with that; it is under another officer.

The CHAIRMAN. I understand the commissary and the general storekeeper are separate?

Mr. MERRIAM. Yes.

Mr. FAISON. Who makes the requisition?

Mr. MERRIAM. The officer in charge of the commissary store, Paymaster Williams; then it comes to me and I take a copy of it and send it to the Bureau of Supplies and Accounts.

Mr. FAISON. Do you have to O. K. and indorse it?

Mr. MERRIAM. I sign it as being noted by me and send it up to the Bureau of Supplies and Accounts, and if they approve it, they send it to the pay office to be advertised.

Mr. FAISON. You do not have the privilege of buying anything for urgent need?

Mr. MERRIAM. No, sir.

The CHAIRMAN. We will get that information from the Commissary Department more than we will from you?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. You do not know how long Paymaster Martin was in charge before you went in, do you?

Mr. MERRIAM. No, sir; I do not. I think I stated about three years, as I remember it.

Mr. FAISON. Your only purpose in changing your system of book-keeping is simply to have this card, and that just verifies it?

Mr. MERRIAM. My whole system is trying to balance one man against the other. Until you get that, I do not think you get it handled properly.

Mr. FAISON. Your only plan is to check each other?

Mr. MERRIAM. Yes, sir; that is my whole idea down there. And that has caused a good deal of trouble, because they do not like to come out of their old ways.

The CHAIRMAN. You say they do not like to come out of their old ways, and that suggests another question. I would like to know the difference between the present methods and the old ways they are wedded to.

Mr. MERRIAM. Mr. Chairman, this is a hard and long question to answer. Briefly, the biggest change is the method of taking up all purchases from the inspection calls instead of from the public bills, also the obtaining of a check on the books through the medium of the reports of receipts and expenditures rendered by the storemen. Under the old system, these did not obtain. The changes, however, that I have made, are more of an administrative nature than a change in method and are necessary owing to the growth of the Navy. These changes have undoubtedly thrown more work on the clerical force and is the cause of the complaints in regard to the system.

Mr. FAISON. What time was it that you found these differences of 800, 400, and the others, four items there that you could not verify?

Mr. MERRIAM. The 31st of March, when I was making up the returns.

Mr. FAISON. They are now not yet fixed and can not be until you find them?

Mr. MERRIAM. No, sir. I have made a notation on that book of what I have to put down there——

Mr. FAISON. When did you make a balance before the 31st of March, three months before that?

Mr. MERRIAM. The returns went in three months before that.

Mr. FAISON. The only difference you have noticed in your books was this 31st of March?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. Previous to that time, since you went in, in 1910, when you became manager, were your books and vouchers all right then?

Mr. MERRIAM. They seemed to be all right; but the trouble is they have a great many more vouchers now than they did then.

Mr. FAISON. You put in a verification every three months, then?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. They all come up until the 31st of March?

Mr. MERRIAM. But they did not balance.

The CHAIRMAN. Did not balance before this quarterly settlement?

Mr. MERRIAM. No; they were sent back to correct some errors.

Mr. FAISON. Did you correct those?

Mr. MERRIAM. Yes.

Mr. FAISON. You were able to correct the errors until this 31st of March?

Mr. MERRIAM. Yes.

Mr. FAISON. Then the loss of these vouchers was in the three months?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. That is the only trouble you have had in balancing your books?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. And you began this new system?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. Not a new system, but an addition to your plan?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. Was the new system begun about the 30th of March or before that?

Mr. MERRIAM. It started the 1st of February, but on account of January being under the old system there is where the trouble came. I very foolishly started it on the first day of February instead of on the first day of January or waiting until the first day of April.

The CHAIRMAN. You think this want of balance is caused by the installation of a new system between quarters?

Mr. MERRIAM. Exactly.

The CHAIRMAN. You had no trouble under the old system up to that time?

Mr. MERRIAM. As far as the bookkeeping end of it is concerned, I did not. What I do want to bring out is that I am trying this scheme of taking up stock (with the approval of the Paymaster General) from the inspection calls rather than wait for the bills to be paid in order that I may bring my books in agreement with the stock and keep them so at all times.

The CHAIRMAN. As I understand your system prior to the new departure, it was that things received were never entered on the books until they were paid for?

Mr. MERRIAM. Yes, sir.

The CHAIRMAN. So that it might be used?

Mr. MERRIAM. They were used, but sometimes would go before they were ever on the books at all?

The CHAIRMAN. Some items were charged to expenditures?

Mr. MERRIAM. Yes, sir. That is the reason we have more expenditures than receipts, sometimes.

The CHAIRMAN. Your books would show you sent out a lot more than you had in stock?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. You have read this testimony of Mr. Sims?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. How long have you known Mr. Sims?

Mr. MERRIAM. I knew him first in 1900, I think it was, when I went there as assistant general storekeeper.

Mr. FAISON. Did you know him fairly well then?

Mr. MERRIAM. I know him quite well. I see him in the office.

Mr. FAISON. How long has he been working with you since, this last year?

Mr. MERRIAM. When I first had anything to do with him it was in store 10.

Mr. FAISON. You know him in a practical way?

Mr. MERRIAM. Yes.

Mr. FAISON. What do you know about his general character and standing?

Mr. MERRIAM. I know he is a man addicted to drink, because I reported him for it.

Mr. FAISON. Did you ever see him drunk?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. Too drunk to attend to his business?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. How many times?

Mr. MERRIAM. I have only seen him once when he was too tight to do his duty.

Mr. FAISON. And some of these mistakes you referred to have occurred under his bookkeeping?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. Do you think a man as drunk as he is, and who drinks as much as he does, is a competent bookkeeper?

Mr. MERRIAM. I do not think he is a bookkeeper at all.

Mr. FAISON. He is competent, however, to do the work?

Mr. MERRIAM. He seems to do the work; he is not a man I could trust at all and be sure. He is always more or less behind.

Mr. FAISON. Why do you not turn out men like that? Can you not turn them out?

Mr. MERRIAM. I did the best I could. The last time I reported him to be dismissed, and he was dismissed, but he was given one more trial.

Mr. FAISON. He is on trial now?

Mr. MERRIAM. He is on trial now.

Mr. FAISON. What is the other man's name, Strohecker?

Mr. MERRIAM. Strohecker.

Mr. FAISON. What kind of a man is he?

Mr. MERRIAM. A very nice, self-respecting boy.

Mr. FAISON. He seems to be efficient?

Mr. MERRIAM. Yes, sir. He is young, but he tries hard, and what errors he does make——

Mr. FAISON. Has he met the censure of the department in any way?

Mr. MERRIAM. No, sir. Only two men we have in the office, Lucas and Sims——

Mr. FAISON. You think he is a capable and honest man, do you?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. A young man, as far as you know, of good character?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. Do you know Mr. Lee, the chief clerk?

Mr. MERRIAM. I have known him a good many years. I only see him about once a month.

Mr. FAISON. You do not know much about him?

Mr. MERRIAM. No, sir.

Mr. FAISON. How about these other men; did you know them?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. Have you ever heard of these big frauds Mr. Sims testified about?

Mr. MERRIAM. I never heard about it until I received a letter from Mr. Sims last January. Mr. Sims was rather provoked at the marks I gave him. I did not think he was doing well, so I marked him accordingly. He wrote and stated, in a rambling sort of a way, and mentioned something about a scandal; did not mention any

names, but some scandal. I did not know whether to get mad or to send it to the department. I thought it over and said, "There can not be anything in it; he is just rambling," and I put the letter in my drawer. The other day, when I read Mr. Lucas's testimony, where he had come out practically verbatim with that letter, I was very much surprised that Mr. Sims had given this letter up. So I took the letter up to the department. The next thing, Mr. Sims wrote me another letter in which he stated that he had not given, nor had anybody gotten it away from him, as far as he knew, or did they have authority for that letter to come before this committee. He told me these things when I sent for him and asked him what he meant by this letter. Mr. Sims said he did not have anything whatever to do with it. I said, "My letter has never been out of my desk here. So evidently somebody has stolen it." He replied, "Yes; somebody has evidently stolen it from me."

The CHAIRMAN. You never heard of those frauds from anybody else?

Mr. MERRIAM. No, sir; it was long before my time. I never heard of it before Mr. Sims's letter in January came to me. That was the first time I had ever heard anything about it.

Mr. FAISON. Let me read this to you:

Mr. SIMS. I am well aware that during my time as bookkeeper there, there have been very extensive frauds in the purchase of material, in times past, and the same opportunity is open to a man now who wishes to swindle.

Mr. DOREMUS. I think the point Mr. Miller is getting at is this: Are those frauds occasioned through some fault of the system that is used there or through the men who are employed?

Mr. SIMS. I think through the purchasing department—

Of course, this has nothing to do with your department?

Mr. MERRIAM. No, sir.

Mr. FAISON (continuing reading):

I see no chance for fraud on the part of the men who are handling the material, the clerks there, because they could not benefit except by collusion in the delivery of the goods. For instance, a man with a large contract for coal, who delivers it to the navy yard in carloads, sometimes in barge lots, that is weighed, and his report turned in by collusion with the contractor. As a matter of course, there could be frauds in weighing, just as there are in the customhouse or anywhere else. There is a vast opportunity for frauds in the purchase of goods. For instance, some years ago, when I had charge of all outside material that was bought, I called attention to the fact, when a matter was under discussion, why the navy yard could not compete in the manufacture of articles belonging to ordnance.

Do you think, reading that evidence of Mr. Sims, that there is chance for great fraud?

Mr. MERRIAM. I do not see how it is possible under the present system.

Mr. FAISON. Could there be fraud through collusion in the delivery of these goods?

Mr. MERRIAM. I do not see how it is possible. You see, we make a requisition in the navy yard for some stores. That goes to the Bureau of Supplies and Accounts via the bureau concerned. Bids are then called for by the contract section of the Bureau of Supplies and Accounts, which is under an officer. Those bids, as I understand it, and am quite sure, are sealed when received.

Mr. FAISON. That is in the buying department, with which you have nothing to do. I am referring to collusion in the delivery.

Mr. MERRIAM. That could always be done, of course.

Mr. FAISON. It could be done?

Mr. MERRIAM. Of course, the contractor, if he wanted to render a false bill, and the receiving clerk, who checks up the articles, wanted to be crooked, he might take short weight. But this would be detected by the inspection officer.

The CHAIRMAN. In other words, if the receiving clerk stood in with the contractor?

Mr. MERRIAM. Yes, sir.

Mr. FAISON. In the case of the verification of your card and your actual inventory, if there was a loss, say, of a million or a half million dollars' worth of stock, would it be any ways probable that there might be collusion in the last 10 years between these delivery men? Would it be an easy matter, which would account for a difference of a million or a half million or five thousand or ten thousand?

Mr. MERRIAM. I do not see how it would be possible, because the Bureau of Ordnance keeps quite a good track of the requisitions. Everything that is bought for ordnance they keep quite a good track of. Say 500,000 pounds of steel is bought here for a certain shop, if that is all gone in a short time they would say, "Where is that steel? We only drew 50,000, and we ought to have 500,000."

The CHAIRMAN. In a small business I see how you keep track; but in a big business it looks to me like an inventory is the only way.

Mr. FAISON. Would it be possible for some outsiders to get in; do you have night watchmen and guards around there?

Mr. MERRIAM. Yes.

Mr. FAISON. Would it be possible for men to call there at night and steal a lot of stuff? I mean, would it be probable?

Mr. MERRIAM. No, sir.

Mr. FAISON. How many night watchmen do you have around there?

Mr. MERRIAM. I can not say that.

Mr. FAISON. You do not know?

Mr. MERRIAM. No, sir.

Mr. FAISON. You do not think, then, it is probable that anybody would steal anything?

Mr. MERRIAM. I do not think they would get away with it.

Mr. FAISON. Therefore, then, if there be any difference between your books and an accurate inventory, it would show carelessness?

Mr. MERRIAM. The only difference, I think, there will be in my books, will be that I will be over, when I finally balance. I think every store man I have looks to that.

(Thereupon, at 12.10 o'clock p. m., the committee adjourned.)

No. 6

HEARINGS

BEFORE THE

COMMITTEE ON EXPENDITURES IN THE
NAVY DEPARTMENT

OF THE

HOUSE OF REPRESENTATIVES

ON

HOUSE RESOLUTION NO. 103

TO INVESTIGATE THE EXPENDITURES IN
THE NAVY DEPARTMENT

AUGUST 4, 1911

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

EXPENDITURES IN THE NAVY DEPARTMENT.

[Committee room, room 119, House Office Building. Telephone 413. Meets on call.]

RUFUS HARDY, Texas, *Chairman.*

FRANK E. DOREMUS, Michigan.

WILLIAM B. MCKINLEY, Illinois.

JOHN M. FAISON, North Carolina.

HENRY MCMORRAN, Michigan.

CHARLES F. BOOHER, Missouri.

CLARENCE B. MILLER, Minnesota.

BEN L. PRINCE, *Clerk.*

EXPENDITURES IN THE NAVY DEPARTMENT.

COMMITTEE ON EXPENDITURES IN THE NAVY DEPARTMENT, HOUSE OF REPRESENTATIVES, *Friday, August 4, 1911.*

The committee met at 10 o'clock a. m., Hon. Rufus Hardy (chairman) presiding.

TESTIMONY OF MR. THOMAS HAMLIN STROEHECKER.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. You are still in the employ of the navy yard down there?

Mr. STROEHECKER. Yes, sir.

The CHAIRMAN. What is your position?

Mr. STROEHECKER. Bookkeeper in the general storekeeper's office.

The CHAIRMAN. Under Mr. Merriam?

Mr. STROEHECKER. Yes, sir.

The CHAIRMAN. Will you state to the committee just when any items were charged against Mr. Merriam for the repair of his boat on the books of the Government?

Mr. STROEHECKER. Why, this last June, in the report made to the Navy Department each month, \$2.60 for spruce lumber with which he was charged.

The CHAIRMAN. Do you know from the item on which that charge was based when that lumber was used?

Mr. STROEHECKER. Well, it was used about, I would say, six months ago. It was used—the card would show itself when it was used.

The CHAIRMAN. We have got that in the other evidence as to when it was used. It is unnecessary to go into that. I am making this brief because I want to examine some other witnesses. That was just \$2?

Mr. STROEHECKER. \$2.60.

The CHAIRMAN. Is that all charged against Mr. Merriam?

Mr. STROEHECKER. For the new boat; and the difference between that and \$3.40 was charged for work on the automobile.

The CHAIRMAN. So that there is, altogether, \$3.40 in that charge?

Mr. STROEHECKER. Yes, sir.

The CHAIRMAN. Is that all the charge there is against him on the books now?

Mr. STROEHECKER. That is all I have ever made.

The CHAIRMAN. If there was more work than that done, the books do not show it?

Mr. STROEHECKER. No; not the books I have; only material is charged. I have nothing to do with the labor.

The CHAIRMAN. You have nothing to do with the labor?

Mr. STROEHECKER. No, sir.

The CHAIRMAN. What books will show the labor?

Mr. STROEHECKER. I do not know whether any books would show it. As I understand it, they do not keep any account of the labor for this kind of matter. Mr. Trazzare does not keep the account of the labor. Mr. Sodden is the timekeeper, he is the time gentleman.

The CHAIRMAN. So far as you know, there is no charge against Mr. Merriam for that work except the \$3.40 for material?

Mr. STROEHECKER. That is all I know of; yes, sir.

The CHAIRMAN. No other books that you know of have any items of that sort?

Mr. STROEHECKER. No, sir.

The CHAIRMAN. That is all I want to ask along that line.

Mr. MILLER. There may be some charges on books that you know nothing about?

Mr. STROEHECKER. Well, I looked over the books back as far as about October, 1910, and there was only 54 cents that was charged—some other little items—two items amounting to 54 cents.

Mr. MILLER. When was that charged?

Mr. STROEHECKER. A part of it was in December, I believe, and the other November, or probably both in December.

Mr. MILLER. Against whom?

Mr. STROEHECKER. Against Paymaster Merriam.

Mr. MILLER. What were those items for, on this boat?

Mr. STROEHECKER. Well, I think not.

Mr. MILLER. Something else?

Mr. STROEHECKER. Really, I do not know what that was for.

Mr. MILLER. You say that no book record is kept of the time of this man who is understood to have done the work on the boat?

Mr. STROEHECKER. No record.

Mr. MILLER. That is, there is no bookkeeping record kept?

Mr. STROEHECKER. No; not labor that he does on any particular job.

Mr. MILLER. That labor which he would perform possibly on this boat he would keep track of and turn it into the office, into the commandant's office, would he?

Mr. STROEHECKER. No; he does not do that. You see, he goes from one job to another. He does not make any record of what job he is working on during the day, as I understand.

Mr. MILLER. Suppose he has kept an account of the time, and suppose he has kept a record of the time he has been on that work and turned it into the timekeeper or to the commandant, and the commandant would make whatever adjustment was proper of it in reference to your books?

Mr. STROEHECKER. That would not have any reference to my books whatever. In fact, I looked up the record as long as Paymaster Merriam has been in the yard, and there was only that 54 cents—one item of 27 cents and another one enough to make the 54 cents.

Mr. MILLER. There must have been two 27-cent items.

Mr. STROEHECKER. Two 27-cent items, and then this \$3.40.

The CHAIRMAN. The point I want to make is this: If he is charged anywhere with items enough to make up the deposit that he made there, it ought to be on some books, ought it not? If the Government give him a credit when his money goes into the Government's account, why, the Government was debited, and it ought to show payment for it in some book somewhere.

Mr. STROEHECKER. I should think that would be kept in the yard pay office by the paymaster of the yard, whom the deposit is put up with.

The CHAIRMAN. So, so far as you know, that is the only place where it would be kept?

Mr. STROEHECKER. That is where it would be charged?

The CHAIRMAN. Does not your books show material account credited by an item of \$3.40, or several items amounting to that?

Mr. STROEHECKER. Yes, sir.

The CHAIRMAN. Mr. Strohecker, let me ask you about the balances. There have been some questions about some of the books not balancing, something like \$5,000 wanting in making a balance up to the last quarter before we commenced investigating. Were you keeping those books that failed to balance?

Mr. STROEHECKER. Yes, sir.

The CHAIRMAN. What about that?

Mr. STROEHECKER. That was the returns for the third quarter of the fiscal year 1911.

The CHAIRMAN. Ending what date?

Mr. STROEHECKER. March 31—

The CHAIRMAN. Yes.

Mr. STROEHECKER. 1911; and they did not balance up the books and the papers by about \$5,000, and that was due to a double entry of an item of about \$5,400. The auditor of the department has detected it and that has been straightened out.

The CHAIRMAN. That was a mistake in bookkeeping?

Mr. STROEHECKER. Yes. I made one entry of \$5,400 and Mr. Lucas, who was there on my desk for two days when I was off on leave, he made the same entry somewhere.

The CHAIRMAN. How long did it take to discover that mistake? How long was it before in checking up they finally found out where the mistake was?

Mr. STROEHECKER. They found it as soon as they came to checking the papers up at the Navy Department—as soon as they got to the place where the mistake was.

The CHAIRMAN. When was it they made the discovery of the mistake?

Mr. STROEHECKER. It was about the 1st of June—some time in June.

The CHAIRMAN. And the want of balance was in March?

Mr. STROEHECKER. Yes; you see the quarter ended on the 31st of March, and I was then from about the middle of—the whole of the month of April and part of May making up the returns for the quarter up to March 31.

The CHAIRMAN. Your last quarter ended when?

Mr. STROEHECKER. June 30.

The CHAIRMAN. Did the books balance on that?

Mr. STROEHECKER. No; they did not balance on that, the books and the files.

The CHAIRMAN. The books and the files did not balance by how much?

Mr. STROEHECKER. By about \$1,200, I believe; something like that.

The CHAIRMAN. Has the error ever been discovered as to the want of balance of those files for that quarter?

Mr. STROEHECKER. No, sir; the returns have not been sent up to the department yet. They are made up and ready to go.

The CHAIRMAN. Was this a want of balance of \$1,200 for this last quarter also?

Mr. STROEHECKER. Yes, sir.

The CHAIRMAN. And Mr. Lucas has not been in there during that time, has he?

Mr. STROEHECKER. No, sir.

The CHAIRMAN. Well, what is the trouble with your bookkeeping there, that you have these out-of-balance conditions?

Mr. STROEHECKER. I suppose it is due to the system we have there.

The CHAIRMAN. What is that condition? You can explain; you understand that. What is that defect in your system that causes this difficulty?

Mr. STROEHECKER. Well, the way the system was when Mr. Lucas had it there was no chance for these differences to be found. Of course, there are chances for mistakes in bookkeeping, anyway, but if you have a system that you can check up you can find these mistakes, but with the present system there is no way of checking.

The CHAIRMAN. Under the present system, you say there is no way of checking up and finding the difference?

Mr. STROEHECKER. With the present system you can check up all items except stubs. You can check all summaries and papers except the stub requisitions, and I entered the stubs of the expenditures and the receipts, and the receipts also included returned material, and I make my report to the department by summaries which I get from the other men, and these summaries do not equal the amount of cards that we have received, or that I have expended, because I have the returned material. That is the difference, where the \$12.35 really comes in there, but there is nothing to show for it.

The CHAIRMAN. That is the difficulty in your present want of balance?

Mr. STROEHECKER. Yes, sir.

Mr. BOOHER. You say you investigated the books back to when to find whether there were any charges against Capt. Merriam?

Mr. STROEHECKER. Back to the time when Mr. Merriam became general storekeeper.

Mr. BOOHER. Which books did you investigate—the books of what office?

Mr. STROEHECKER. Well, I might have said books, but it is really—

Mr. BOOHER. Was it the book in the general storekeeper's office?

Mr. STROEHECKER. No, sir; it was the records in the general storekeeper's office.

Mr. BOOHER. The records in the general storekeeper's office?

Mr. STROEHECKER. Yes, sir.

Mr. BOOHER. Well, now, you knew before you began investigating that you would find no account for labor in those records, did you not?

Mr. STROEHECKER. Yes, sir.

Mr. BOOHER. And you were not looking for an account of that labor?

Mr. STROEHECKER. No, sir.

Mr. BOOHER. What were you looking for?

Mr. STROEHECKER. For the material.

Mr. BOOHER. Then, did you make your investigation after this investigation up here began?

Mr. STROEHECKER. Yes; it was after.

Mr. BOOHER. At whose request?

Mr. STROEHECKER. At my own request.

Mr. BOOHER. At your own request?

Mr. STROEHECKER. I simply had the curiosity of looking up the records, because I knew they were being investigated.

Mr. BOOHER. Then you found Capt. Merriam was charged on the records with how much lumber? How much spruce lumber for that boat?

Mr. STROEHECKER. \$2.60.

Mr. BOOHER. \$2.60?

Mr. STROEHECKER. As well as I remember the card.

Mr. BOOHER. Then, if your book for it was actually \$2.62, your deposits, your book would be 2 cents wrong, would it not?

Mr. STROEHECKER. Yes.

Mr. BOOHER. I say, supposing that to be true. Now, who asked you to make this investigation of the books?

Mr. STROEHECKER. No one at all.

Mr. BOOHER. Nobody at all?

Mr. STROEHECKER. No, sir.

Mr. BOOHER. Where will this committee find—in what office—an account of labor done for Capt. Merriam?

Mr. STROEHECKER. Either in that of Mr. Sarton, the timekeeper, or the paymaster of the yard.

Mr. BOOHER. It would not go through your office at all, would it—through your books?

Mr. STROEHECKER. Not my books—I only have the material.

Mr. BOOHER. When a mechanic does work down there for an officer does he not make out a card and put down on that card the length of hours that he is employed at that particular time and turn that into a certain place?

Mr. STROEHECKER. Well, that is over in the mechanical department shop, and I do not know. That does not come through me.

Mr. BOOHER. You do not know anything about all the conduct and part of the business, do you?

Mr. STROEHECKER. No, sir.

Mr. BOOHER. You could not give us any information as to that?

Mr. STROEHECKER. No, sir.

Mr. BOOHER. So far as you know, every minute of time that was devoted to work for Capt. Merriam was taken out of his deposit, if he made one? So far as you know, I am asking you.

Mr. STROEHECKER. I do not understand the question.

Mr. BOOHER. So far as your books show, every item of material that was furnished to Capt. Merriam appeared on your books?

Mr. STROEHECKER. Yes, sir.

Mr. BOOHER. Just as you stated to this committee?

Mr. STROEHECKER. So far as I know; yes, sir.

Mr. BOOHER. So far as you know; and you have no knowledge of the labor that was put on his boat or on his automobile, because it does not pass through your department?

Mr. STROEHECKER. No, sir.

Mr. BOOHER. That is all.

The CHAIRMAN. That will do for the present, Mr. Stroehecker.

TESTIMONY OF MR. P. V. McDONALD.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. McDonald, you have been in the employ of the navy yard here in Washington?

Mr. McDONALD. Yes, sir.

The CHAIRMAN. You have been employed for how long?

Mr. McDONALD. Eight years.

The CHAIRMAN. You have been discharged recently?

Mr. McDONALD. Yes, sir.

The CHAIRMAN. When were you discharged?

Mr. McDONALD. I have been recommended for discharge, which is an equivalent. I have not been discharged yet.

The CHAIRMAN. When was that?

Mr. McDONALD. Why, last Monday.

The CHAIRMAN. I wish you would tell this committee whether you know of any work being done, whether you did any work for anybody connected with that department for their private benefit?

Mr. McDONALD. Yes, sir; I did work for Mr. Aiken, the leading man.

The CHAIRMAN. What do you mean by "leading man"?

Mr. McDONALD. Why, we have what we call leading men, quartermen, and master mechanics.

Mr. MILLER. What is your position there?

Mr. McDONALD. I am first-class machinist.

Mr. MILLER. In the machine shop?

Mr. McDONALD. Yes, sir; in the sight shop.

The CHAIRMAN. What character of work did you do for Mr. Aiken?

Mr. McDONALD. Oh, it was a line of minor repairs and overhauling a gasoline launch.

The CHAIRMAN. Minor repairing and overhauling of a gasoline launch?

Mr. McDONALD. Yes, sir.

The CHAIRMAN. What kind of a vessel was that? What is its worth?

Mr. McDONALD. I presume the vessel when it was new was worth about \$1,500 or \$1,600.

The CHAIRMAN. How much work did you do on that vessel?

Mr. McDONALD. Well, speaking for myself, I would judge I did—v, understand, I can not give—I can not say, as a whole, for there

is no record kept of the work, but I would put the estimate safe and say I did from six to seven days' work, probably more, all told.

The CHAIRMAN. You say there was no what of the work?

Mr. McDONALD. No record of it. I kept no record of the work—that is, myself.

The CHAIRMAN. Did anybody keep a record of that work?

Mr. McDONALD. No one whatever.

The CHAIRMAN. Was it understood there should be any record or any charge made for it?

Mr. McDONALD. No; not to my knowledge; no, sir.

Mr. BOOHER. What do you mean by "understood," Mr. Chairman?

The CHAIRMAN. With the man it was done for. [To witness:] Just tell us how you came to do the work and how it was done.

Mr. McDONALD. Well, he would bring me a piece of work and say "Do this for me." I would do it. Probably I would work an hour or two hours, perhaps a day, or probably a day. I would charge in my time for that day on the usual shop-order work. There would be no order number for this work that I was doing.

The CHAIRMAN. That was not charged as work for him, but it was charged as work for the Government?

Mr. McDONALD. It was charged as work for the Government; yes, sir.

The CHAIRMAN. And you say you did as much as six days' work?

Mr. McDONALD. Yes, sir.

The CHAIRMAN. What is your daily wage—what does the Government pay you a day?

Mr. McDONALD. \$3.76.

The CHAIRMAN. During what length of time was that scattered over?

Mr. McDONALD. Well, this work was scattered over a period, I judge, of probably four or five months.

The CHAIRMAN. In talking to me you stated about the way this work was done and how it was charged. Just state how it was done and how no time was kept of it.

Mr. McDONALD. Now, this launch—they were overhauling the engine, and such parts that slipped through were slipped through in that order, as I say.

Mr. MILLER. What do you mean by "slipped through"?

Mr. McDONALD. Well, the supervision of those higher in authority.

Mr. MILLER. I suggest that you tell the facts and not give the conclusion as to anything. Mr. Chairman, I do not think hostile witnesses should be permitted to sit here and cast insinuations like that. He can give the facts and we will judge as to what the situation was.

The CHAIRMAN. State exactly the way the thing was done.

Mr. McDONALD. Well, I should judge—I know there were plenty of men in the shop working on this work, but just what the details of the work was I do not know, but I would judge that the work each man done was done in the same order in which my work was—what work I was doing was done.

The CHAIRMAN. As far as you know, did anybody else except this man for whom the work was done know of your doing the work for him?

Mr. McDONALD. Well, I presume the other employees of the shop knew I was doing this work.

The CHAIRMAN. Was anybody else over you, or was he over you?

Mr. McDONALD. I come directly under his supervision; yes, sir.

The CHAIRMAN. Will you give the names of others that did work on the boat?

Mr. McDONALD. Well, these men that have been summoned here, they did work on the boat, to my knowledge, and those three that I spoke of this morning that have not been summoned.

Mr. MILLER. Let us have the names. I do not know who has been summoned, Mr. Chairman. Give the names.

Mr. McDONALD. L. J. Reinhart, Fred Fridel, and D. Baldwin.

The CHAIRMAN. Those are not the ones that were summoned. Name those that were summoned.

Mr. McDONALD. Well, F. M. Jenkins is one that was summoned; John Fife, Clyde Ingle, George Berger, Charlie Barnes, and a man named Shelton—I do not know what his first name is. I think that includes them all.

The CHAIRMAN. Those are all?

Mr. McDONALD. I think that is all.

The CHAIRMAN. All except those three names you gave the other day and the first three you gave this morning?

Mr. McDONALD. Yes.

Mr. DOREMUS. All these men here did work on this launch?

Mr. McDONALD. Yes, sir.

Mr. BOOHER. I want to ask you a question, Mr. McDonald. Just when were you discharged?

Mr. McDONALD. I have not got my discharge. I have been simply notified. I got my notice on Monday. I have not got my discharge yet.

Mr. BOOHER. Were there any charges preferred against you?

Mr. McDONALD. Yes, sir; insubordination.

Mr. BOOHER. Who preferred the charges?

Mr. McDONALD. Mr. Aiken, this leading man; yes, sir.

Mr. BOOHER. Then, as soon as Mr. Aiken preferred charges, you made known these complaints?

Mr. McDONALD. Yes, sir.

Mr. BOOHER. Up to that time you had not said a word about it, had you?

Mr. McDONALD. Well——

Mr. BOOHER. Just answer my question. You had not said a word about it to anyone?

Mr. McDONALD. Why, to no person——

Mr. BOOHER. You had made no complaint——

Mr. McDONALD (interrupting). I had made no complaint.

Mr. BOOHER (continuing). To the officers down there at the yard that work was being done for this man at Government expense?

Mr. McDONALD. No, sir.

Mr. BOOHER. Not a bit. Now, have any of these other men that you have given their names as witnesses been listed for discharge?

Mr. McDONALD. No, sir.

Mr. BOOHER. Did you make any threats against anybody down there what you would do if you were discharged?

Mr. McDONALD. Not if I was discharged; no, sir.

Mr. BOOHER. Did you make any threats against anybody down there what you would do?

Mr. McDONALD. Well, I will have to go into details.

Mr. BOOHER. Did you make any threats against anybody what you would do over this matter when you were discharged?

Mr. McDONALD. No—over what I would do over the matter of my discharge?

Mr. BOOHER. Yes.

Mr. McDONALD. No, sir.

Mr. BOOHER. Did you make any threats of any kind?

Mr. McDONALD. No, sir.

Mr. BOOHER. To any of your superior officers down there. Now, just answer that; yes or no.

Mr. McDONALD. Well, give me one moment to see where I am at.

[After a pause.] Yes, I did. There is the master mechanic—

Mr. BOOHER. To whom did you make those threats—against whom?

Mr. McDONALD. Will you allow me to go into detail?

Mr. BOOHER. Against whom did you make those threats?

Mr. McDONALD. I did not make any threats. I said to the master mechanic—

Mr. BOOHER. Just answer my question, first, and then you can explain it all, Mr. McDonald. Against whom did you make these threats?

Mr. McDONALD. Well, now, I do not think what I said could be considered as a threat. I simply said what I was going to do. I did not make any threat.

Mr. BOOHER. Who were you saying that to, or what you were going to do, if you want to put it that way? Whom did you have the conversation with that you were going to tell?

Mr. McDONALD. With Mr. Aiken.

Mr. BOOHER. That is all. You may go ahead and tell what you want.

Mr. McDONALD. I will go into details. I said to the master mechanic—

Mr. MILLER. Who is he?

Mr. McDONALD. Mr. Von Herman. I said, "I consider that I have been unjustly dealt with." I said, "It is a case that this man is just simply exercising his authority simply because he has that authority. Now," I said, "I have worked on this job for eight years"—which my record will show, and he stated himself. He said, "You are one of the best men we have got here, and I do not want to lose you." Capt. Beatty told me the same thing. I said, "Mr. Von Herman, I consider I have been unjustly dealt with. I am going to bring charges against Mr. Aiken of a more serious nature than what he has brought against me."

Mr. BOOHER. Did you put it, "If I am discharged"?

Mr. McDONALD. No; I did not. I had already been dismissed.

Mr. BOOHER. You did not put it, "If I am discharged"?

Mr. McDONALD. No; I said this after I was notified that I was going to be discharged.

Mr. BOOHER. Is it not a rule down there in the department that whenever a mechanic is ordered to work for any outside party that he report the time that he works to his superior?

Mr. McDONALD. You simply make out your card.

Mr. BOOHER. For the time you have been engaged?

Mr. McDONALD. Yes.

Mr. BOOHER. Or the job you are engaged on?

Mr. McDONALD. Yes.

Mr. BOOHER. Did you make out those cards?

Mr. McDONALD. I made——

Mr. BOOHER. Did you make out the cards for this work?

Mr. McDONALD. This particular work?

Mr. BOOHER. Yes.

Mr. McDONALD. I made out the cards, as instructed.

Mr. BOOHER. Then you did make out cards for all the time that you were employed?

Mr. McDONALD. For all the time I was employed; yes, sir.

Mr. BOOHER. Then what did you do with those cards?

Mr. McDONALD. I turned them into the office, as I do every day.

Mr. BOOHER. You do not know what became of those cards, or the account, afterwards, do you?

Mr. McDONALD. No, sir.

Mr. BOOHER. You do not know whether there was a deposit made by this officer to cover that work or not, do you?

Mr. McDONALD. No; I do not.

Mr. BOOHER. You do not know. You do not know whether that work that you did after you turned in your card was entered on the books and the account carried against this officer?

Mr. McDONALD. This work that I speak of? There was no account on my card of that work.

Mr. BOOHER. What did you make out the cards for, then?

Mr. McDONALD. Well, let me explain. There were a lot of times down there that there would be a job of work which would be carried on, and there would be a little too much time given on that particular job. The leading man in charge would come along and say, "You charge this to something else, and it will kind of equal things up."

Mr. BOOHER. I am not asking you about the general rule. You have stated to this committee that you made out a card.

Mr. McDONALD. I did.

Mr. BOOHER. For the work you did on that boat?

Mr. McDONALD. No; I never said that I made out a card for the work I did on that boat.

Mr. BOOHER. Is it not a rule of the department down there that you shall do it?

Mr. McDONALD. Yes, sir.

Mr. BOOHER. Then why did you not do it?

Mr. McDONALD. I did not have any order number for this work to make a card out on.

Mr. BOOHER. No order number to make it out on at all?

Mr. McDONALD. No.

Mr. BOOHER. Yet you made out an order?

Mr. McDONALD. I made out an order on the general line of work.

Mr. BOOHER. General line of work. Did you say there what it was done on?

Mr. McDONALD. I said what the work was supposed to be done on.

Mr. BOOHER. You knew what work you were doing. Leave out "supposed." When you made out that card, did you state what the work was done for and what it was done on?

Mr. McDONALD. I did not state anything about the work I had been working on. I stated about the work I was supposed to have been working on.

Mr. BOOHER. Then, do you tell this committee that, as an employee of the Government, you made a false card and turned it in?

Mr. McDONALD. I made my card as I was instructed.

Mr. BOOHER. Answer my question. Did you make a false card?

Mr. McDONALD. I made my card as I was instructed by the man in authority over me.

Mr. BOOHER. Mr. McDonald, I want you to answer my question, then we will get at that. Do you tell this committee that you made out a false card and turned it in?

Mr. McDONALD. I am just judging according to what I could see that I must have—

Mr. BOOHER. You can answer that question. You say that you were directed to work on this steam launch?

Mr. McDONALD. Work for what?

Mr. BOOHER. Work on the steam launch.

Mr. McDONALD. Work on the steam launch.

Mr. BOOHER. You knew it belonged to a certain officer?

Mr. McDONALD. Not an officer.

Mr. BOOHER. Do you mean Mr. Aiken?

Mr. McDONALD. Yes.

Mr. BOOHER. You knew that if he had work done there in the navy yard he should pay for it, did you not?

Mr. McDONALD. A natural supposition; yes, sir.

Mr. BOOHER. Then you went to work and did the work that you have described and then made out a card for your work, but you did not let the card show that you were doing work on Mr. Aiken's launch, did you?

Mr. McDONALD. Well—

Mr. BOOHER. Now, answer my question.

Mr. McDONALD. No; I did not.

Mr. BOOHER. You did not?

Mr. McDONALD. No.

Mr. BOOHER. Then, as an employee of the Government, you made out a card just as though you were performing labor for the Government, did you not?

Mr. McDONALD. Yes, sir.

Mr. BOOHER. And then you were doing that because who told you to do it that way?

Mr. McDONALD. My supervisor, a man in authority.

Mr. BOOHER. Who was he?

Mr. McDONALD. Mr. Aiken.

Mr. BOOHER. Mr. Aiken?

Mr. McDONALD. Yes.

Mr. BOOHER. Then you do not find fault with being discharged by the Government if you were doing that kind of work, do you?

Mr. McDONALD. Well—

Mr. BOOHER. You do not find fault with any officer?

Mr. McDONALD. Am I not supposed to follow orders of the supervisor?

Mr. BOOHER. You are not supposed to do that, I should think.

Mr. McDONALD. If you worked in the navy yard, you would think so.

Mr. BOOHER. I am not discussing that. But you did make out these false statements—these false cards?

Mr. McDONALD. I made out my cards as I was instructed. If you can construe that as false, that is another thing.

Mr. BOOHER. You say, Mr. McDonald, that you did not make those cards show the labor you were doing and who you were doing it for, but you made it as if it was in your regular employment as a mechanic in the navy yard?

Mr. McDONALD. It is customary when they give you a job of work to do that they give you an order number to charge your time on for the day. I am supposed to do as I am told down there, and I did in this case.

Mr. FAISON. Would they have discharged you if you did not do as they said?

Mr. McDONALD. Would not they have discharged me? Well, I am supposed to obey orders from my superior authorities.

Mr. FAISON. Do what they ask you to do for fear they might discharge you?

Mr. McDONALD. That is the idea; yes, sir.

Mr. FAISON. Did you ever know of anybody being discharged because they failed to do what they were ordered to do?

Mr. McDONALD. Well, I do not know as I can at the present time cite any case.

Mr. FAISON. Under similar conditions to which you were speaking?

Mr. McDONALD. No; but if you want to stay there you have pretty near to do what you are told.

Mr. MILLER. I think that is another conclusion. I am going to object pretty strongly to a hostile witness making statements of that kind. Just let him give facts and make his statement. We want the facts for all they are worth; but when a witness is permitted to go on and make a general reflection upon somebody, I object.

The CHAIRMAN. The committee should also be a little generous and not comment too much themselves.

Mr. BOOHER. Mr. McDonald, do you know whether any other man down there that did work on this boat made out his cards as you did?

Mr. McDONALD. Well, my general supposition is—

Mr. BOOHER. Just tell the facts, if you know them. Of course, if you do not know whether they did or not, just say so and we will drop it.

Mr. McDONALD. I could not say positively, but I think so.

Mr. BOOHER. You think so?

Mr. McDONALD. Yes.

Mr. BOOHER. Which one of these gentlemen that you named did that? Do you know whether any of these other gentlemen that you have claimed are under the same complaint of the department that you are?

Mr. McDONALD. No, sir.

Mr. BOOHER. That is, are going to lose their places?

Mr. McDONALD. No, sir.

Mr. BOOHER. They are, so far as you know, in good standing down there?

Mr. McDONALD. Yes, sir.

Mr. BOOHER. You would not tell this committee, surely, that you know, of your own knowledge, Mr. McDonald, that none of this work that is charged here that you say you did on that launch was not charged to Mr. Aiken, or whoever it should be charged to?

Mr. McDONALD. Not to my knowledge.

Mr. BOOHER. You would not say so because you do not know?

Mr. McDONALD. No.

Mr. BOOHER. You would have nothing to do with that except to turn in your card?

Mr. McDONALD. Yes, sir.

Mr. BOOHER. And your recollection now, if I get it right, Mr. McDonald, is that you did turn in cards?

Mr. McDONALD. Yes, sir.

Mr. BOOHER. But you had no number for your work to charge it to Mr. Aiken?

Mr. McDONALD. No, sir.

Mr. BOOHER. And you do not know, of course, whether it was afterwards charged to Mr. Aiken or not?

Mr. McDONALD. No, sir; I do not.

Mr. BOOHER. What becomes of those cards after you turn them in? Do you know?

Mr. McDONALD. They go to the master mechanic's office. Further than that I can not state, but I would judge to the time office.

The CHAIRMAN. As I understand, the cards turned in were for Government work and not for Mr. Aiken's work?

Mr. McDONALD. Yes, sir.

Mr. BOOHER. That is what he said. Now, then, you said the cards go to the master mechanic?

Mr. McDONALD. Yes, sir; and, I would judge, from there to the time office.

Mr. BOOHER. To the time office?

Mr. McDONALD. Yes, sir.

Mr. BOOHER. Those cards are recorded. Do you know whether they are kept for any length of time, Mr. McDonald?

Mr. McDONALD. Well, I could not say positively; but I think they are.

Mr. BOOHER. In other words, can you tell us where the committee—at what office or place—would find those cards, so we might be able to get them?

Mr. McDONALD. Well, I would judge in the time office?

The CHAIRMAN. Just one question. From the cards you turned in, could there have been any charge made to Mr. Aiken?

Mr. McDONALD. Not to my knowledge.

The CHAIRMAN. Was anything on those cards charged to him?

Mr. McDONALD. No, sir; not to my knowledge.

Mr. MILLER. Mr. McDonald, did you, at the time you made out your cards in this way, showing that the work was all for the Government, when, as a matter of fact, a portion of the period was spent on this launch for Mr. Aiken, know this was wrong?

Mr. McDONALD. Yes.

Mr. MILLER. It was just as wrong then as it was last Monday or Tuesday, or as it is now?

Mr. McDONALD. Well—

Mr. MILLER. Was it not?

Mr. McDONALD. It was.

Mr. MILLER. Why did you not make some complaint—make some proper statement?

Mr. McDONALD. The idea is, if I want to stay there I proposed to do as my superiors tell me.

Mr. MILLER. Somebody may differ with you on that, Mr. McDonald; on those facts. You are under the civil service, are you not?

Mr. McDONALD. No; that is not under the civil service.

Mr. MILLER. That is not under the Civil Service?

Mr. McDONALD. No.

Mr. MILLER. You can be discharged without regard to the civil-service rules?

Mr. McDONALD. Yes, sir.

Mr. MILLER. Do you think any man would be able to discharge you for refusing to join with him in defrauding the Government?

Mr. McDONALD. He could not discharge me, but he is in authority, and he can make life most awfully miserable for me as long as I stay there.

Mr. MILLER. What I want to know is if you had other experiences similar to this one, where you have committed fraud upon the Government simply because of the fear of discharge?

Mr. McDONALD. No; I can not say that I have.

Mr. MILLER. As I understood you, you said that you did not indicate on the cards that this work was done for Mr. Aiken because you followed orders. Just whose order and what order did you follow?

Mr. McDONALD. That of Mr. Aiken, my leading man.

Mr. MILLER. Did he specifically tell you not to make any charge against him for the time you spent on that launch?

Mr. McDONALD. No; he did not tell me not to; but I did not.

Mr. MILLER. You did not say anything about it at all?

Mr. McDONALD. Nothing at all.

Mr. MILLER. He just asked you to do the work?

Mr. McDONALD. Yes, sir.

Mr. MILLER. And he knew there was a general rule that whenever any work is done for the Government the time and material is charged against the Government?

Mr. McDONALD. Yes, sir.

Mr. MILLER. He knew it?

Mr. McDONALD. Yes, sir.

Mr. MILLER. You knew it?

Mr. McDONALD. Yes, sir.

Mr. MILLER. Under those circumstances do you not think you would be expected, without any word, to make a proper charge—make a proper record?

Mr. McDONALD. Well——

Mr. MILLER. Here is the rule and law that you knew. Not a word is said to you by the superior officer, and you go ahead and make an entry which you say does not disclose the real facts.

Mr. McDONALD. You do not understand the conditions of the supervisors in connection with that place down there.

Mr. MILLER. I am asking if, under those circumstances, as you have stated them——

Mr. McDONALD. If I wanted to live literally up to the letter of the law that would have been the proper thing for me to have done.

Mr. MILLER. You were not informed in any way that this work was to be done for Mr. Aiken for nothing, were you?

Mr. McDONALD. No; I was not.

Mr. MILLER. And you had no reason—

The CHAIRMAN. Let me intercede for a question, to see if I understand the situation. On work that is to be charged to employees, is it not customary for an order to come from somewhere else for you to fill, or for you to put in—were you given instructions to charge that somewhere else or not?

Mr. McDONALD. Well, I am simply—I am given an order number, that is all.

The CHAIRMAN. You had no order number to do any work for Mr. Aiken, as I understand?

Mr. McDONALD. No, sir.

Mr. MILLER. Work is frequently done for navy-yard employees without this order number, is it not?

Mr. McDONALD. Yes, sir.

Mr. MILLER. And the fact that you did not happen to have one at this time would not indicate that they expected to defraud the Government for that time?

Mr. McDONALD. No, sir.

Mr. BOOHER. This man above you that made the charges against you could not discharge you from your position, could he? I just want to know how this commenced.

Mr. McDONALD. Himself, directly, no.

Mr. MILLER. What did he do with the charges? Who makes the charges against you, and what does he do with them?

Mr. McDONALD. It is simply this: He is the lowest man in authority.

Mr. MILLER. Yes.

Mr. McDONALD. If any trouble arises in his department, he makes the recommendation what the punishment is to be, and it is carried through him to his master mechanic, and from the master mechanic—

Mr. MILLER. In your case, who did it go to after this man made the complaint?

Mr. McDONALD. To my master mechanic.

Mr. MILLER. Could you give us his name?

Mr. McDONALD. Mr. Von Herman.

Mr. MILLER. Then where did the charges go?

Mr. McDONALD. To Mr. Robinson, the general master mechanic.

Mr. MILLER. Then, he would then investigate it and make his recommendation, would he, and transfer it to somebody else?

Mr. McDONALD. To the inspector.

Mr. MILLER. To the inspector?

Mr. McDONALD. And from the inspector to the captain?

Mr. MILLER. To where?

Mr. McDONALD. To the captain of the yard, the superintendent.

Mr. MILLER. To the superintendent?

Mr. McDONALD. Yes, sir.

Mr. MILLER. That is where it ends?

Mr. McDONALD. That is where it ends.

Mr. MILLER. The superintendent's action is final?

Mr. McDONALD. Yes, sir.

Mr. MILLER. And he reports his action to the Secretary of the Navy, does he?

Mr. McDONALD. I could not say positively as to that.

The CHAIRMAN. State very briefly how you were discharged and why. Make it as brief as possible.

Mr. McDONALD. Do you want me to go into the details of the trouble?

The CHAIRMAN. No; I want you to just briefly as you stated it to me; very briefly.

Mr. McDONALD. I was called down twice inside of one hour for virtually asking a question of a man across the aisle, not over 3 feet away from me, and he was virtually asking me about the work. This last time he was talking to me about the work. The first time it was a personal matter. I was not away from the work. I was not neglecting my work either time, and I did not say more than half a dozen words to the man, for which I was called down.

Mr. FAISON. Who discharged you?

Mr. McDONALD. Mr. Aiken recommended the discharge.

The CHAIRMAN. What occurred when you were called down?

Mr. McDONALD. I was angry. I did not think I had been treated justly, and I went to him. I said, "Mr. Aiken, I want you to stay away from me and leave me alone, now. If you don't, I won't be responsible for what happens." I was angry, and good and angry, and I probably put it in a little stronger language than that.

Mr. BOOHER. Did you use profane language?

Mr. McDONALD. Yes, sir.

The CHAIRMAN. In other words, that is the history of it?

Mr. McDONALD. That is the history of it; yes.

The CHAIRMAN. I just wanted a brief statement of that, and unless somebody else desires to ask further questions, you are excused.

Mr. FAISON. I understood Mr. Miller to ask you a question awhile ago, whether it was the custom around the yard to do personal work without making any charge for it in your line.

Mr. McDONALD. I did not get the question.

Mr. FAISON. I understood you, when Mr. Miller asked you a question awhile ago, to say that it was the custom around the navy yard for you to do personal work for these officers.

Mr. McDONALD. I did not say it was the custom.

(Thereupon, at 11.05 o'clock a. m., the committee adjourned to meet to-morrow, Saturday, August 5, 1911, at 10 o'clock a. m.)

No. 7

HEARINGS

BEFORE THE

**COMMITTEE ON EXPENDITURES IN THE
NAVY DEPARTMENT**

OF THE

HOUSE OF REPRESENTATIVES

ON

HOUSE RESOLUTION NO. 103

**TO INVESTIGATE THE EXPENDITURES IN
THE NAVY DEPARTMENT**

AUGUST 5, 1911

**WASHINGTON
GOVERNMENT PRINTING OFFICE
1911**

EXPENDITURES IN THE NAVY DEPARTMENT.

[Committee room, room 119, House Office Building. Telephone 413. Meets on call.]

RUFUS HARDY, Texas, *Chairman*.

FRANK E. DOREMUS, Michigan.

WILLIAM B. MCKINLEY, Illinois.

JOHN M. FAISON, North Carolina.

HENRY McMORRAN, Michigan.

CHARLES F. BOOHER, Missouri.

CLARENCE B. MILLER, Minnesota.

BEN L. PRINCE, *Clerk*.

II

EXPENDITURES IN THE NAVY DEPARTMENT.

COMMITTEE ON EXPENDITURES IN THE NAVY DEPARTMENT, HOUSE OF REPRESENTATIVES, *Saturday, August 5, 1911.*

The committee met at 10 a. m., Hon. Rufus Hardy (chairman) presiding.

WILLIAM H. POTTER, machinist, navy yard, having been first duly sworn, testified as follows:

The CHAIRMAN. What is your employment?

Mr. POTTER. Machinist in the navy yard.

The CHAIRMAN. What class?

Mr. POTTER. First class.

The CHAIRMAN. What is your pay per day?

Mr. POTTER. \$3.76.

The CHAIRMAN. Mr. Potter, have you done any work on a boat for Mr. Aiken?

Mr. POTTER. No, sir.

The CHAIRMAN. You have not done any work on his boat of any kind whatsoever?

Mr. POTTER. Not on the boat knowing it was his—not on any boat that I knew was his.

The CHAIRMAN. Have you done any work on any launch?

Mr. POTTER. I did; yes, sir.

The CHAIRMAN. What kind of a launch was it?

Mr. POTTER. It was a gasoline launch, so far as I know. I never had seen the boat up to the time of working on it.

The CHAIRMAN. It was a gasoline launch?

Mr. POTTER. Yes, sir.

The CHAIRMAN. What kind of work was it that you did?

Mr. POTTER. It was a very small job of making two small bushings for a timer, I believe they call it.

The CHAIRMAN. A small job of making bushings for what?

Mr. POTTER. For the timer, I believe; a part of the engine. I do not know much about it. That is what I was told it was for.

The CHAIRMAN. When did you do that?

Mr. POTTER. I guess it has been about two years ago.

The CHAIRMAN. That long ago?

Mr. POTTER. Yes, sir; it may have been a little longer.

The CHAIRMAN. Did you do that in your regular time for the Government?

Mr. POTTER. I did.

The CHAIRMAN. How long did it take you to do it?

time—and sometimes we have a great many more men than we have at other periods. We do not have the men regularly, so to speak. I may have 40 men working for me to-day, and probably another leading man would need men, and a half a dozen of them would be taken and put on that work because it was more urgent than the work I had.

The CHAIRMAN. But, practically speaking, the other six men have about the same force under them as you have? You said you had in the neighborhood of 40 under you?

Mr. AIKEN. Well, there are two leading men in the work that I am in, and we both have, practically speaking, say, 40 men. I have been in the present position for the last—well, I will say for about a year, and I have had one leading man under me.

The CHAIRMAN. One of those six.

Mr. AIKEN. Yes, sir; he has been acting leading man, but recently he has been made a leading man, and of course those 40 men are under the jurisdiction of both of us.

The CHAIRMAN. How many men are there in the sight department?

Mr. AIKEN. We have about, all told, something over 200 men; I am not posted as to the exact number of men.

The CHAIRMAN. I presume you are a practical mechanic as well as a supervisor?

Mr. AIKEN. Yes, sir.

The CHAIRMAN. Do you do any work outside of that of supervising?

Mr. AIKEN. No, sir.

The CHAIRMAN. Your work is confined to looking after the work of others?

Mr. AIKEN. Yes, sir. I do not have any work except to supervise the other work.

The CHAIRMAN. Tell the committee, Mr. Aiken, whether or not any boat in which you are interested, or which you own, was repaired in the shop there, or any work done on it in the shop.

Mr. AIKEN. I do not own any boat, and never did own any boat; I never owned a boat of any kind, not even a rowboat.

The CHAIRMAN. Nor interested in one?

Mr. AIKEN. No, sir; I have not any interest and have not had any interest in any boat.

The CHAIRMAN. Do you know anything about a boat being repaired in the shop that did not belong to the Government?

Mr. AIKEN. I do not.

The CHAIRMAN. You do not know anything about a boat owned by Mr. Dawson, or in which he had some interest?

Mr. AIKEN. I do not know anything about any boat that was repaired in the sight shop, or anything about any work being done in the sight shop. I know that Mr. Dawson has a boat, or did have a boat, and I know he bought an engine for that boat from, I believe, an employee of the sight shop, and that those men were given a contract for that engine, and outside of that I know nothing else.

The CHAIRMAN. You know nothing at all of Mr. McDonald working on that boat, or on the engine or on any parts of it, or on a bab-bitt bearing?

Mr. AIKEN. No, sir; I do not. To my knowledge I do not know

Mr. McDonald ever worked on it, because, as far as I know,

he was not interested in the boat, although, I believe—I do not recall whether Mr. McDonald was ever on the boat—yes, I do; Mr. McDonald was on the boat at one time; he took a trip on it; I remember that.

The CHAIRMAN. You say as far as you know he was not interested in the boat?

Mr. AIKEN. No; I think not.

The CHAIRMAN. Do you know whether any of the men down there were interested in the boat?

Mr. AIKEN. The only persons who were interested were the ones who were working on it.

The CHAIRMAN. Who worked on it?

Mr. AIKEN. Well, I have gone down to the boat when they were repairing it on the river, and at different times I saw Mr. Barnes, Mr. Engel, Mr. Baldwin, and Mr. Dawson; they are the only persons I ever saw repairing the boat, and that was not in the navy yard, but down on the Eastern Branch, and that was not, of course, during working hours; that was in the evening after working hours.

The CHAIRMAN. Do you know anything about Mr. Potter working on it?

Mr. AIKEN. No, sir.

The CHAIRMAN. Did Mr. Fyfe work on it?

Mr. AIKEN. No, sir.

The CHAIRMAN. Did Mr. Barnes work on it?

Mr. AIKEN. Yes, sir; I know that he did some work on it, because I saw him working on it in the Eastern Branch.

The CHAIRMAN. Do you know anything about Mr. Berger working on it?

Mr. AIKEN. No, sir.

The CHAIRMAN. Or Mr. Shelton?

Mr. AIKEN. No, sir.

The CHAIRMAN. Do you know anything about Mr. Engel working on it?

Mr. AIKEN. Yes, sir.

The CHAIRMAN. That, you say, was down on the Eastern Branch?

Mr. AIKEN. Yes, sir.

The CHAIRMAN. Do you know anything about Mr. Jenkins working on it?

Mr. AIKEN. No, sir; I do not think Mr. Jenkins ever had anything to do with it.

The CHAIRMAN. Did Mr. Frydell work on it?

Mr. AIKEN. No, sir; I do not think he did. I imagine he might have worked on it, however, owing to the fact that he and Mr. Baldwin worked together; but I really do not know that he worked on it.

The CHAIRMAN. Do you know whether Mr. Baldwin worked on it or not?

Mr. AIKEN. I saw Mr. Baldwin. I think I saw Mr. Baldwin there. I would go down there and there would probably be a half a dozen men there, and I think Mr. Baldwin was there on one of those occasions; I am not sure.

The CHAIRMAN. Do you know whether Mr. Reinhart worked on it or not?

Mr. AIKEN. No, sir; I never saw him.

The CHAIRMAN. You are speaking about work that was done on the river and not in the shop?

Mr. AIKEN. No, sir; none of the work was in the shop that I know of.

The CHAIRMAN. Do you know whether or not any nuts were taken from the shop for that boat or whether any repair work was done in the shop there for that boat?

Mr. AIKEN. No, sir; I do not.

The CHAIRMAN. Was it not your duty to supervise what was being done in the shop?

Mr. AIKEN. I know that at the time that boat or that engine was purchased, Mr. Dawson and myself had charge of the west side of the shop and, of course, Mr. Dawson had responsibilities there equal to myself, and it was our duty, and we were responsible for any work done there.

The CHAIRMAN. You were responsible for seeing that the men engaged in that work did Government work only, were you not?

Mr. AIKEN. We were equally responsible for that.

The CHAIRMAN. And any work that was done for outsiders was not permissible under the rules and regulations?

Mr. AIKEN. The only work that would be permissible under those circumstances would be on orders coming from the office. For instance, I remember on one occasion where a man would have authority to use a machine during noontime on his own time, he would have permission to use a machine for probably an hour or two hours at a time, and that was done on orders from the office to that effect, and that man's name was Shipley; he is the only man I know of to do any work; I think that is the gentleman, although I am not quite certain he is the man; it runs in my mind he is the only man that ever did any work there, and I know he did that on his own time and with the permission of the superintendent.

The CHAIRMAN. Mr. Aiken, when that boat came there was not the engine entirely out of order and was it not almost necessary to set it up anew?

Mr. AIKEN. Well, about the condition of it I am not in a position to say, but I know that Mr. Dawson was not satisfied with his engine.

The CHAIRMAN. Do you not know from being around there that that boat had to have a lot of work done on it to put it in shape?

Mr. AIKEN. It was up to Mr. Baldwin to fix the engine, which he did. As I understand it he was responsible for it, and there is no doubt but that there was a lot of work on it—that is, on the engine in order to install it.

The CHAIRMAN. Did you use that boat a good deal after it was fixed?

Mr. AIKEN. No, sir; I was on special duty after the thing was fixed. I do not think I was ever on the boat more than once or twice after it was repaired, because I was detailed in Philadelphia on special duty installing sights.

The CHAIRMAN. You had nothing to do with that boat at all?

Mr. AIKEN. No, sir; I had nothing to do with the boat.

The CHAIRMAN. Could Mr. McDonald have done several days' work on that boat without your knowing it; that is, doing the work the shop?

Mr. AIKEN. No, sir; he could not have done it; it would have been impossible.

The CHAIRMAN. If he says he did four or five days' work all told at different times you say that can not be so?

Mr. AIKEN. No, sir; I do not see how it could be so, because our master mechanic is around the shop. Even if I was willing to allow anything of that kind I could not even do it because my master mechanic is one of the most strict men in the Government service.

The CHAIRMAN. Who is he?

Mr. AIKEN. Mr. Von Herman; and he would not permit anything like that for a minute, and we have a quartermaster whose duty it is to just supervise the shop, and he is around the shop all the time, and if there was to be any private work they would know it, because they are in touch with every detail of all the sight work.

Mr. MILLER. Do you know Mr. John Fyfe?

Mr. AIKEN. Yes, sir.

Mr. MILLER. What is his position there?

Mr. AIKEN. He is a machinist, first class.

Mr. MILLER. Do you know Mr. Reinhart?

Mr. AIKEN. Yes, sir.

Mr. MILLER. What is his position?

Mr. AIKEN. A machinist, first class.

Mr. MILLER. Do you know Mr. Frydell?

Mr. AIKEN. Yes, sir.

Mr. MILLER. What is his position?

Mr. AIKEN. He is a machinist. All of the employees, except helpers, are machinists.

Mr. MILLER. Is there not one of them there that has a little work separate and distinct from the rest?

Mr. AIKEN. Well, there is no distinction between them at all, as far as their duties are concerned.

Mr. MILLER. What is this babbitting of a bearing?

Mr. AIKEN. The babbitting of a bearing?

Mr. MILLER. Yes.

Mr. AIKEN. I will enlighten you. It is a bearing that is poured—a babbit bearing would necessarily have to be—

Mr. MILLER (interposing). I do not think we care to have you go into all of those details. I just wanted to know whether you have a man there who looks after babbit bearings.

Mr. AIKEN. No; none in particular. Any machinist can babbit a bearing, and we would not go to any one particular man unless it would be Mr. Reinhart, because Mr. Reinhart has torches and fire, and he would have at his disposal what other men would not have.

Mr. MILLER. Then, he is the most likely man to babbit a bearing?

Mr. AIKEN. Yes; he is the most likely man to babbit a bearing, although there have been lots of other mechanics in the shop who have babbit bearings.

Mr. MILLER. Did you ever bring a bearing to him of any kind from the engine on this boat and direct him to babbit it or fix it in any way?

Mr. AIKEN. No, sir; not to my knowledge; I do not remember of ever bringing him a bearing. I have brought him bearings—though I do not know as I have brought him bearings, but I have

directed him to go to machines to babbitt different bearings on different machines in the shop.

Mr. MILLER. But you have no recollection of ever having brought to him, or having directed him to babbitt a bearing, or to do anything with a bearing or any other part of this engine?

Mr. AIKEN. No, sir; not on a gasoline engine.

Mr. MILLER. Do you think he is mistaken if he says you did?

Mr. AIKEN. Yes, sir; I think he is. I do not remember such an occurrence, because I do not see how I would; I would not have anything to do with it, because I never took any part in repairing the engine or the boat.

Mr. MILLER. Mr. Reinhart is a good, reliable, honest man, as far as you know, is he not?

Mr. AIKEN. Yes; I do not know anything detrimental to Mr. Reinhart's character or his honesty; I think his work is all right.

Mr. FAISON. Do you know Mr. Barnes?

Mr. AIKEN. Yes, sir.

Mr. FAISON. Does he work under you?

Mr. AIKEN. Yes, sir.

Mr. FAISON. Is he a man of good character?

Mr. AIKEN. Yes, sir; so far as I know.

Mr. FAISON. Then his word would be good in any court, as far as you know?

Mr. AIKEN. Yes, sir; as far as I know.

Mr. FAISON. Does Mr. Barnes work under you?

Mr. AIKEN. He is working for me now; yes, sir.

Mr. FAISON. And you do not know that he did any private work on that particular boat down there?

Mr. AIKEN. No; I do not.

Mr. FAISON. Fixing the engine or anything about it?

Mr. AIKEN. The only time that I know of Mr. Barnes ever being accused was when my master mechanic came around, probably about three weeks ago, and said that Mr. Barnes was working on a private job; I went to Mr. Barnes to find out what the private job was, and he said he was not doing a private job, and I could not locate any private job that he was doing, and I know that would not have anything to do with the engine.

Mr. FAISON. He has testified before the committee that it was a common occurrence for him to work on private jobs during Government working hours, and that it was an ordinary custom around the shop to do it.

Mr. AIKEN. Around the shop?

Mr. FAISON. Yes.

Mr. AIKEN. Well, now, a man might have a job in his vise, understand, and there are two supervisors on each side of the shop, and it is possible that that man might work on the job, and when he would see us coming, of course, he would naturally hide it if he could; and I do not say that it is impossible for a man to do a private job; I do not mean to make that statement at all; but I do make the statement that it would be an impossibility for a man to work for two or three days on a private job as the chairman has stated, I believe.

Mr. FAISON. Have you an order posted around the shop from the Secretary of the Navy, Mr. Meyer, that if any man works on a private job during Government hours he will be discharged?

Mr. AIKEN. Well, I do not know that we have an order posted to that effect, but that is the order.

Mr. FAISON. And this man has testified—and you say he is a man of good character—that it is repeatedly done, although he knew it was against the order, but that he was afraid not to do it for fear he would be discharged for insubordination?

Mr. AIKEN. Well, I will state right here that that is not true; that is not true, because there is not a man in the sight shop or in any part of the navy yard who does not know that he has no right to do private work, and nobody knows it better than the men themselves. However, as a general run, workmen are always looking for an opportunity, if they can possibly do so, to report; they have got more or less of a grouch; it seems they will do that, because we have very strict discipline in the navy yard, and especially in my shop. Mr. Von Herman is one of the strictest master mechanics in the yard, and owing to that fact we have to keep absolute discipline, and we generally get the brunt of it.

The CHAIRMAN. Mr. Barnes testified before this committee as follows:

Mr. Dawson, and we worked very diligently down there to get this engine working in the boat—a boat that he had had long before that—and the boat had a new engine, and the engine came from a firm that I believe was in bankruptcy, and I believe was practically half built; that is, what a machinist would say slapped together, and in no way, shape, or manner working; and we worked very hard for weeks to get it done and fixed up and, running in good order; we worked Sundays and nights and any spare time we could put in on it. Now, I can say that we took work there from the boat—small parts of the engine, and especially the timer. I can say as to the timer for the engine, I know that I put in 15 or 20 minutes every noon hour for two or three days on it and other work.

Do you know anything about that timer on that boat?

Mr. AIKEN. No; I do not know very much about a gasoline engine; I do not know that I would know a timer if I saw it, because I never had much experience with gasoline engines.

The CHAIRMAN (reading):

The CHAIRMAN. You said you did not know how much work was done in Government hours? Just give us the best idea you can of the work you did in Government hours there.

Mr. BARNES. I can not say what I done.

The CHAIRMAN. You know you did work in Government hours a part of the time on that?

Mr. BARNES. I said that I presume I did. I could not say for certain, and I said that I would not want to incriminate myself.

Mr. AIKEN. Well, the work in the navy yard, sir, is dealt out to every man, and is so supervised that every man has got to produce—has practically got to produce a certain amount of work—and if he does not, why, he has got to state the reason why and what he has been doing with his time, and for that reason, I say, it is almost an impossibility for any man to do any private work and get his own work done.

Mr. FAISON. Do you know Mr. Frydell, Mr. Engel, and Mr. Baldwin?

Mr. AIKEN. Yes, sir.

Mr. FAISON. They are men of good character?

Mr. AIKEN. Yes, sir.

Mr. FAISON. And these men worked under you?

Mr. AIKEN. No, sir; not all of them.

Mr. FAISON. Did Mr. Baldwin work under you?

Mr. AIKEN. No, sir; Mr. Baldwin has never worked under me in this yard; he has worked for me in Boston, and so has Mr. Frydell.

Mr. FAISON. When these men are given work they are given an order sheet on which they make out the time and the character of work they do?

Mr. AIKEN. We have a card system there that every man makes out, showing the number of hours he works on the job; yes, sir.

The CHAIRMAN. Does he specify what he works on?

Mr. AIKEN. He specifies what he works on and what he does.

The CHAIRMAN. Every man down there, at the end of the day, shows how many hours he has worked and what he has worked on?

Mr. AIKEN. Yes, sir. For instance, if he were working on a sight-bar bracket he would say, "Fitting a sight-bar bracket" or "scraping," or whatever he might be doing, and he gives in his card, and that goes to the office and we check it up. We have a system there where we keep every man's time on all jobs.

The CHAIRMAN. So you keep not only every man's time, but the work on which his time was spent?

Mr. AIKEN. Yes, sir.

The CHAIRMAN. So you know how many hours' work has been devoted to each particular job?

Mr. AIKEN. Yes, sir.

Mr. FAISON. Do you know whether any of these cards have had on them that they were working on private jobs?

Mr. AIKEN. Well, no. I know they would have to have an order number for their cards, and they could not make out an order for an individual job.

Mr. FAISON. Do you know whether or not Mr. Baldwin is engaged, outside of his work, in selling engines and making a business of that?

Mr. AIKEN. I do not know; no, sir.

Mr. FAISON. Under whom does he work?

Mr. AIKEN. Well, he works under, I believe, Mr. Brooks.

Mr. FAISON. Do you know whether or not he sold an engine for one of these boats?

Mr. AIKEN. I understand he sold an engine to Mr. Dawson.

Mr. FAISON. You know, do you not, that this engine was not up to what it ought to have been?

Mr. AIKEN. Well, I could not say. I know they repaired the engine down on the boat, because I saw them doing it, and I presumed it was not in running order.

Mr. FAISON. And it was repaired to bring it up to the standard so it would be all right?

Mr. AIKEN. Yes, sir.

Mr. FAISON. Was that done during private hours or during Government hours?

Mr. AIKEN. It was done during private working hours; all the work I saw done was done on the river on the boat itself.

Mr. FAISON. This boat belonged to Mr. Dawson?

Mr. AIKEN. Yes, sir.

Mr. FAISON. Was that done during private hours or Government hours?

Mr. AIKEN. It was done during private working hours; all the work I saw done was done on the river, on the boat itself.

Mr. FAISON. This boat belonged to Mr. Dawson?

Mr. AIKEN. Yes, sir.

Mr. FAISON. Can you not state to this committee whether or not you know whether any work done on that boat was done during Government hours and whether the Government paid for it?

Mr. AIKEN. No, sir; I do not.

Mr. FAISON. Yet you are willing to testify that all of these men are men of good character?

Mr. AIKEN. Yes, sir; as far as I know, they are all of good character; I do not know anything against them.

Mr. FAISON. Do you know whether any of these men have been discharged for insubordination? Do you discharge these men for not doing what you tell them to do?

Mr. AIKEN. Yes, sir.

Mr. FAISON. How many have you discharged during your supervision?

Mr. AIKEN. Well, I presume I have found it necessary to report—I do not have the discharging of any man.

Mr. FAISON. Yes; I know that. I mean, how many men have you reported for failure to do the work?

Mr. AIKEN. I have had to report, and men have probably been discharged on account of my reporting them for spoiling a job, or something of that kind, to the number of probably five, as near as I can remember.

Mr. FAISON. Can you mention the names of the men who have been discharged on account of your report?

Mr. AIKEN. Well, I remember one man, a man named Cox.

Mr. FAISON. Why did you discharge him or report him?

Mr. AIKEN. He was discharged for loafing on a job.

Mr. FAISON. What other men?

Mr. AIKEN. He was not discharged for loafing, but when he was called to account for loafing, why, he became abusive, and——

Mr. FAISON (interposing). And insubordinate?

Mr. AIKEN. Yes, sir: in the presence of the quartermaster, whom I took there to demonstrate to him that the man was loafing on the job; and of course, he became abusive. I do not think he wanted to stay there anyway.

Mr. FAISON. Does a recommendation for discharge because of inefficiency or abuse generally carry with it the discharge?

Mr. AIKEN. From me?

Mr. FAISON. Yes.

Mr. AIKEN. I do not make any recommendation.

Mr. FAISON. I know; but you make a report.

Mr. AIKEN. Yes, sir.

Mr. FAISON. Do you know whether they discharge men upon your report?

Mr. AIKEN. Well, I make a report of the exact circumstances of the case, and then usually they are given a hearing before the ordnance officer, or the inspector of ordnance at the navy yard, who is one of the officials.

Mr. FAISON. What are the names of the other men you have discharged?

Mr. AIKEN. Well, I remember one man that was discharged named Carlson. As near as I can remember he spoiled a job, or did something damaging to a job, and I had to report it, and because I reported it, he was insubordinate and used abusive language.

Mr. FAISON. Can you mention any other men?

Mr. AIKEN. Well, recently I remember two cases, Mr. McDonald and Mr. McKnight. Mr. McKnight was discharged for being insubordinate and for not obeying my orders. Mr. McKnight was a talker, as we term it; he would persist in talking, and I warned him about it and he did not stop, so, of course, I reported him for it, and Mr. McKnight was discharged. Mr. McDonald very unfortunately happened to get in front of Mr. McKnight, after I had warned Mr. McKnight on the previous day, and Mr. McDonald came in off of leave, and I put him on this machine right in front of Mr. McKnight, and they got to talking; I went to Mr. McDonald and I told him, I said—we had always been more or less friendly, and I called him, “Mac”—I said “you will have to quit talking during working hours.” In fact, I did not say that much; I said, “Quit talking now and do not get into any trouble”; and I went away; and it seemed as though that gave them food for conversation, and they talked and kept on talking almost continuously for four hours.

When I went down there again I warned Mr. McDonald again, and told him if he did not quit talking I would have to report the two of them. And about 15 minutes after that Mr. McDonald came down and cursed me in the shop and went to the office and reported me because I was nagging him. As a matter of fact, I only went to Mr. McDonald twice, but he went to the office and reported me for nagging him, and, of course, I made my report for his being insubordinate. Those are the most recent cases.

Mr. FAISON. You would request a certain amount of work to be done, and if a man failed to do that amount of work or refused to do that amount of work, you would report him, would you not?

Mr. AIKEN. No; we usually showed consideration, and we never rushed a man; a man is not rushed, but if a man lays down on a job, it is our duty to get after him and try to get the work up to the standard.

Mr. FAISON. Have you ever threatened to discharge Mr. Barnes, Mr. Frydell, or Mr. Fyfe?

Mr. AIKEN. No, sir. Those are all good men.

Mr. FAISON. What became of the boat that Mr. Dawson had? Is it still in his possession?

Mr. AIKEN. No; Mr. Dawson sold the boat.

Mr. FAISON. To whom?

Mr. AIKEN. Why, he sold it to two boys; I know the name of one of them, but not the name of the other; the name of one was Mr. Sheers.

Mr. FAISON. Does Mr. Dawson own a boat now?

Mr. AIKEN. No, sir; not to my knowledge.

Mr. FAISON. You never did own a boat?

Mr. AIKEN. No, sir.

Mr. FAISON. Mr. Engel is a man of good character, too, is he not?

Mr. AIKEN. As far as I know.

Mr. FAISON. And has given very good satisfaction?

Mr. AIKEN. Yes, sir; he is a good mechanic and an honorable man far as I know.

TESTIMONY OF MR. HENRY W. DAWSON.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Are you one of the supervisors, Mr. Dawson, down at the navy yard?

Mr. DAWSON. Yes, sir.

The CHAIRMAN. You and Mr. Aiken hold the same position, do you not?

Mr. DAWSON. Yes, sir; the same position exactly.

The CHAIRMAN. Neither under the other?

Mr. DAWSON. No, sir.

The CHAIRMAN. Did you have a boat down there that was repaired by anybody in the shop or connected with the shop?

Mr. DAWSON. Yes, sir.

The CHAIRMAN. How long ago has that been?

Mr. DAWSON. About two years ago.

The CHAIRMAN. When was the last work done on that boat?

Mr. DAWSON. Well, I do not know exactly about that. I guess the engine came about two years ago, and I guess it was the next spring that it was put in good running order.

The CHAIRMAN. So it would be about a year and a half ago since the last work was done on it?

Mr. DAWSON. Yes; well, I guess, hardly that long. Well, it was just last spring when we first got it running good.

The CHAIRMAN. The spring of this year or the spring of last year?

Mr. DAWSON. No; a year ago this last spring.

The CHAIRMAN. What became of the boat afterwards?

Mr. DAWSON. I sold it. Mr. Aiken sold it when I was sick in the hospital for two months.

The CHAIRMAN. Mr. Aiken sold it?

Mr. DAWSON. Yes, sir.

The CHAIRMAN. How did Mr. Aiken come to sell the boat?

Mr. DAWSON. Well, I was in pretty bad shape financially and had not much money coming in. I had typhoid-pneumonia, and my family did not want me to fool around the water, and I got Aiken to sell the boat.

The CHAIRMAN. How was the boat sold—at private sale?

Mr. DAWSON. I think so; yes, sir.

The CHAIRMAN. Was it raffled off, or anything of that sort?

Mr. DAWSON. No, sir; it was sold for cash to a private party. I am positive of that.

The CHAIRMAN. To whom was it sold?

Mr. DAWSON. A fellow named Sheers and a fellow named Bahr.

The CHAIRMAN. When you got that boat, was the engine very much out of order?

Mr. DAWSON. Yes, sir; it did not run; it did not run at all. I bought it from an agent, an agent working in the shop there.

Mr. FAISON. Who was the agent?

Mr. DAWSON. A fellow named Baldwin.

The CHAIRMAN. Did Mr. McDonald work on that boat in the shop?

Mr. DAWSON. Not that I know of.

The CHAIRMAN. Do you know who did work on that boat or who helped Mr. Baldwin put the engine in good shape?

Mr. DAWSON. I put it up to Mr. Baldwin and Mr. Frydell to get that engine into good shape, else I would not take it.

The CHAIRMAN. When the boat was being fixed you were about the yard, were you not?

Mr. DAWSON. I have been on night work most all of the time in the last two years, downstairs and on night work.

The CHAIRMAN. Then you do not know who did work on the boat?

Mr. DAWSON. You mean in the navy yard or outside?

The CHAIRMAN. In the navy yard.

Mr. DAWSON. No, sir; I do not know. About the only thing I can say truthfully is that at one time I saw Mr. Barnes with the timer; he brought it in there early in the morning, and then I happened to be on day work, and I says, "Charlie, you had better not monkey with that stuff during working hours." He says, "I am going to adjust it during the noon hour." So that is all I know.

The CHAIRMAN. What was it he had there that caused you to make that remark?

Mr. DAWSON. A timer; a little thing about the size of a dollar.

The CHAIRMAN. He brought that into the shop?

Mr. DAWSON. He brought it in there that morning; yes, sir.

The CHAIRMAN. Did Mr. Baldwin work on it in the shop?

Mr. DAWSON. It was up to Mr. Baldwin to get it in good shape. I says, "I won't accept this engine the way it is." I considered myself buncoed on the engine, and I told Mr. Baldwin it was up to him and Mr. Frydell to put it in good shape and that I would not accept it unless it was in good shape.

The CHAIRMAN. What did Frydell have to do with it?

Mr. DAWSON. He and Frydell worked together on repairs and sold engines together. Baldwin was selling for the Trebert Gas Engine Co., and I have a letter from the Trebert Gas Engine Co. telling him or giving him orders to put the engine in repair and send the bill to them. I have it in my pocket, if you gentlemen want to see it.

The CHAIRMAN. It is to the effect that the engine was out of repair and that they were to make the repairs and send the bill to the company?

Mr. DAWSON. Yes, sir.

The CHAIRMAN. Did Baldwin or any of the others work in the shop during working hours?

Mr. DAWSON. Not to my knowledge.

The CHAIRMAN. You had not requested that this be done?

Mr. DAWSON. No, sir. I positively gave no one any orders to do any private work.

The CHAIRMAN. Do you know, Mr. Dawson, whether it has been customary for men in the shop to do a good deal of work for outsiders—friends and acquaintances.

Mr. DAWSON. Well, I know, of course, that it is pretty hard to catch a man, but I know it is the same in the navy yard as it is in any other shop, and I know it would be the tendency of the men to do something of that kind, you know, a little something—something insignificant—and yet it is pretty hard to catch them in doing it, because if a man was doing anything of that kind he would be warned when the supervisors would be coming around, and all that sort of thing, and he could hide it. But if I caught a man doing it I would report him.

The CHAIRMAN. Has Mr. McDonald worked under you at all?

Mr. DAWSON. No, sir.

The CHAIRMAN. Do you know of his doing any work on that boat?

Mr. DAWSON. No, sir; I have got papers that Mr. Aiken was in charge of the side of the shop that Mr. McDonald was on at that time.

The CHAIRMAN. But if Mr. McDonald did any work on this boat, you do not know it?

Mr. DAWSON. No, sir.

The CHAIRMAN. How about Mr. Barnes—did he do any work on it?

Mr. DAWSON. Not to my knowledge, during working hours.

The CHAIRMAN. Do you know whether or not, of your own knowledge, he did any work at any time?

Mr. DAWSON. Yes, sir; these men came where the boat was—a number of them—and they seemed to want to butt in and help Baldwin. The fellows who put the engine up were friends of Baldwin, and after the engine was fixed up, it seemed like they wanted to get a ride for doing it. That is the way I looked at it.

The CHAIRMAN. He makes this statement:

We worked very hard for weeks to get it done and fixed up and running in good order; we worked Sundays and nights and any spare time we could put in on it.

Mr. DAWSON. Who said that?

The CHAIRMAN. That is Mr. Barnes.

Mr. DAWSON. What does he say? I did not quite catch it.

The CHAIRMAN (reading):

We worked very hard for weeks to get it done and fixed up and running in good order; we worked Sundays and nights and any spare time we could put in on it.

Mr. DAWSON. Yes, sir.

The CHAIRMAN. Do you know anything about that?

Mr. DAWSON. Yes, sir; they worked for quite a while on it before they got it into running shape. It was up to Mr. Baldwin, as far as I was concerned, to make it good.

The CHAIRMAN. What are the working hours? How many hours do they work?

Mr. DAWSON. Eight.

The CHAIRMAN. What are those hours?

Mr. DAWSON. Eight until four. The benchmen work from 8 until 4.30, and the men that work on machines are relieved by those who do night duty, and they go off at 4, and the rest of the men work from 4 to 12. I am on from 4 until 12; that is, when I go on.

Mr. FAISON. Do you know Mr. Barnes, Mr. Engel, Mr. Frydell, and Mr. Baldwin?

Mr. DAWSON. Yes, sir.

Mr. FAISON. Are they men of good character?

Mr. DAWSON. They are men of good character as far as I know, but they have had more or less trouble around the shop—some of them.

Mr. FAISON. Which ones?

Mr. DAWSON. Mr. Barnes tried to be a member of the supervisory force, and he failed on it, and I do not know but what he might

hold some malice against some one; I do not know whether it was me in particular.

Mr. FAISON. As far as their work is concerned they are good workmen?

Mr. DAWSON. Yes, sir.

Mr. FAISON. Their testimony, you think, would be acceptable in court?

Mr. DAWSON. Mr. Engel has had trouble; he was caught drinking once, and I do not know but what he——

Mr. FAISON (interposing). They are pretty fair workmen and first-class mechanics?

Mr. DAWSON. Oh, yes.

Mr. FAISON. And of good character, and as far as their word is concerned it would go in court?

Mr. DAWSON. Yes, sir; anything they would swear to I suppose would be all right, but I am not qualified to judge exactly as to that.

Mr. FAISON. The general testimony before this committee of all these men has been that the orders were that they were not to do any private work during Government hours?

Mr. DAWSON. Yes, sir; that is so.

Mr. FAISON. And that they would be discharged if they would do so?

Mr. DAWSON. Yes, sir.

Mr. FAISON. But they have all testified that they did private work during Government hours and were paid by the Government?

Mr. DAWSON. They have?

Mr. FAISON. That has been the unanimous testimony of these men.

Mr. DAWSON. Well, did they say that any one gave them orders to do it or that they did it of their own accord?

Mr. FAISON. That they were ordered to do it, and that if they did not do it they would be guilty of insubordination and kicked out or recommended for discharge.

Mr. DAWSON. They can not say truthfully that I ever gave them any orders to be kicked out, for I had no charge of that part of the shop whatever, and I have got papers to prove that.

Mr. FAISON. Did Mr. Barnes work under you?

Mr. DAWSON. Yes, sir; he worked under me for a short while just before I went on the night shift.

Mr. FAISON. Do you remember his doing any private work during that time?

Mr. DAWSON. Only that time that I mentioned, and I told him then that he had better not do it, and he said: "I will attend to it; I will adjust it during lunch time."

Mr. FAISON. How long have you been in charge as supervisor?

Mr. DAWSON. Five or six years.

Mr. FAISON. And during that time have you known of any private work being done during Government hours?

Mr. DAWSON. I presume there have been cases of little, insignificant things, although I could not catch the men. I know that in all shops, as well as in my shop, the men will have a tendency to do that. When the Gillette razors first came out I was pretty sure that some of the men had made themselves one, but I could not catch them; they would pass the word along, "Here comes the boss," and it would be out of sight, and you could not catch them in the act; you could

not report them, as an official thing, that they worked on private jobs. In all private corporations that I know anything about they do little things like that whenever they get a chance and can avoid having you catch them.

Mr. FAISON. You say that other men besides Mr. Baldwin worked on this boat?

Mr. DAWSON. Yes; Mr. Baldwin and a lot of his shopmates, Frydell and Barnes, and a lot of them; they came down and worked Sundays and worked at nights, and sometimes until 11 or 12 o'clock, when they got off at half past 4. I put the whole thing up to him. It was up to Baldwin and the company to make good. If they brought private work into the shop and got it done cheaper, and got out that much easier, they did it without my knowledge or without my orders.

Mr. MILLER. Did Mr. Aiken ever have any interest in that boat?

Mr. DAWSON. Well, the only thing was he used to go out on trips; I took him to Philadelphia once when I was off on my vacation.

Mr. MILLER. I mean, did he have any ownership or proprietary interest in it?

Mr. DAWSON. No.

Mr. MILLER. Did he pay for part of it?

Mr. DAWSON. No; he loaned me \$200 when I sent for the engine.

Mr. MILLER. Did he loan you the money and expect you to pay it back, or did he put it in that boat?

Mr. DAWSON. No; it was this way: He was a depositor in a bank and I owned some real estate, and I indorsed his note; I indorsed his note so he could get the money, instead of borrowing it on my real estate, from the Merchants and Mechanics Bank.

Mr. MILLER. Let me see about that. He had \$200 in the bank?

Mr. DAWSON. Yes, sir.

Mr. MILLER. And you had some real estate?

Mr. DAWSON. Yes, sir.

Mr. MILLER. You indorsed his note so he could get this money?

Mr. DAWSON. Yes, sir.

Mr. MILLER. How could he get the money out of the bank any better with your indorsement on his note than he could without it?

Mr. DAWSON. Well, I am secured with several thousand dollars' worth of real estate which I own here in town. Any owner of real estate or any depositor can borrow money from a bank.

Mr. MILLER. You do not understand me or I do not understand you. You say he had \$200 in the bank?

Mr. DAWSON. I do not know how much he had; he might have had more than that, but I needed \$200 to pay for the engine.

Mr. MILLER. And you gave security on some of your real estate?

Mr. DAWSON. Yes, sir.

Mr. MILLER. To him?

Mr. DAWSON. No, sir; that secured the bank.

Mr. MILLER. You gave it to the bank?

Mr. DAWSON. Yes, sir.

Mr. MILLER. And the bank loaned you the money?

Mr. DAWSON. No; Mr. Aiken got the money on my security.

Mr. MILLER. Well, as a matter of fact, he did loan you \$200.

Mr. DAWSON. Yes, sir; it was the same thing, although it came from the bank, and I had to pay the money to the bank.

Mr. MILLER. The bank was sort of an agent?

Mr. DAWSON. Yes, sir; that is about the size of it.

Mr. MILLER. Did you pay that money?

Mr. DAWSON. Yes, sir.

Mr. MILLER. Was there any understanding at the time that he was to have any proprietary ownership in the boat?

Mr. DAWSON. No, sir; everybody knows I was the sole owner of the boat.

Mr. MILLER. Nor these other men that you have mentioned, Barnes, Frydell, and Reinhart?

Mr. DAWSON. Will you allow me to make a little statement?

Mr. MILLER. After I ask this question: You think the only interest they had in working on the boat was to help their friend, Mr. Baldwin, do you?

Mr. DAWSON. Yes; that is it.

Mr. MILLER. Did not they expect to have some rides on the boat?

Mr. DAWSON. That is what I think; yes, sir. I think that was their idea.

Mr. MILLER. Well, how could they expect to have rides on the boat unless they had some understanding about it?

Mr. DAWSON. Well, I would not be so mean as not to let them have a ride; in fact, they did go on a ride.

Mr. MILLER. Well, there are other motor boats, and lots of them, around the navy yard, are there not?

Mr. DAWSON. Yes, sir.

Mr. MILLER. Why did they think they could ride on your boat?

Mr. DAWSON. I do not know that they did think so, but they were hanging around there, and when I was ready to leave the wharf to take a ride I said, "Jump in, if you fellows want to go down the river."

Mr. MILLER. Do you think that ordinarily men would work on the boat Sundays and nights unless they expected to get something out of it?

Mr. DAWSON. Well, their reason was nothing to me, or whether they got anything out of it or not; I put it up to Baldwin; it was up to Baldwin to make good on the engine. Of course, he did not know whether the engine was going to work, and it was up to Baldwin to go along to see how it did work; and they were interested enough to go along to see how it worked. They did that on several trips and then they dropped out.

Mr. MILLER. Then you say that no one of these men, or any other men, had any interest or has any interest in that boat besides yourself?

Mr. DAWSON. No financial interest; no, sir.

Mr. MILLER. Or proprietary interest of any kind?

Mr. DAWSON. None whatever; no, sir.

Mr. MILLER. Did you give them any assurance that if they would all chip in and fix up that boat that they could use it when you were not using it, or make some use of it when you did not need it?

Mr. DAWSON. No, sir; I think not; I do not think I did. Can I make a little statement in regard to this?

The CHAIRMAN. Yes.

Mr. DAWSON. Everyone knows that down there there has been a whole lot of trouble—that is, in the shops—and the upshot of all this trouble is this, that some of the men there in the tool shop have rebelled against the supervisory force and have stirred up a lot of trouble, and tried to cause the supervisory force a lot of trouble. They have done anything to try to get into trouble, and have tried to rebel, you know, and cause trouble among the supervisory force. The men, as a punishment, were sent over into the sight shop; they knew Mr. Von Herman is about the strictest master mechanic in the navy yard—they all know that—and when these men came over there they were necessarily watched, because they are known to be disturbance raisers and rebellious, and not willing to do what is right.

Mr. MILLER. Which men do you refer to as “these men”? Barnes and Frydell?

Mr. DAWSON. No; I do not refer to them; I am just coming to that point. When this man came over there he commenced—well, several men; well, McKnight—you see McDonald and Aiken had always been friends, but when McKnight came over there he commenced to talk to him, and he talked around the shop, so my information is, and when Aiken went to call McDonald down about talking, which would have been the last of it, McDonald, who had been worked upon by these disturbance raisers from the other shop, turned around and cursed Aiken unmercifully, and, of course, he had to report him; he could not stand for that kind of language in the shop, because it would have encouraged all the rest to act in that way, and so he reported him.

The CHAIRMAN. Did you hear Mr. McDonald curse Aiken?

Mr. DAWSON. No, sir; I saw the report that went into the office.

The CHAIRMAN. You would save a good deal of time if you would not go into matters about which you do not know personally.

Mr. DAWSON. I saw the report, and it was common talk that he had given Aiken a cussing out. I am just calling your attention to the fact that there is trouble out there, and the grievances the men have; that is all. And they made remarks that they were going to get Aiken and going to slap hell out of him.

The CHAIRMAN. Who made that remark?

Mr. DAWSON. McDonald.

The CHAIRMAN. Did you hear that?

Mr. DAWSON. No, sir; I did not hear the remark.

The CHAIRMAN. You never heard him say that?

Mr. DAWSON. No, sir.

The CHAIRMAN. Only tell what you know, Mr. Dawson.

Mr. DAWSON. I have been cussed out down there and called a —— until finally I put the man in the hospital. You can not stand for anything like that, you know.

The CHAIRMAN. That is something that happened with you?

Mr. DAWSON. Yes.

The CHAIRMAN. Who was the man?

Mr. DAWSON. A fellow named Scharf, a Swede.

The CHAIRMAN. Was that about any work being done in the shop by private persons?

Mr. DAWSON. That was Government work, and I reported him.

The CHAIRMAN. You reported him for laying down on his job, or something of that kind?

Mr. DAWSON. Yes, sir.

The CHAIRMAN. For being insubordinate and abusive to you?

Mr. DAWSON. Yes.

The CHAIRMAN. And then you had a fight?

Mr. DAWSON. Yes, sir. I saw him on the street later and he made a remark that he was going——

Mr. MILLER (interposing). I do not think we care anything about that.

Mr. DAWSON. I was just calling attention to the rebellious state the shop has been in, and what is the cause of this trouble; that is the only connection this has.

The CHAIRMAN. Is that the shop you have been working in?

Mr. DAWSON. Yes, sir.

The CHAIRMAN. And that condition of insubordination has been existing for some time?

Mr. DAWSON. Yes, sir. And they have been stirring up all the other men. It is hard to tell who had a grievance. In fact, I heard a man make the remark——

The CHAIRMAN (interposing). Please do not let us go into that.

Mr. FAISON. Did you pay out any money for any work on this engine?

Mr. DAWSON. I paid \$300 for the engine in running order, and that is all I did pay. I spent money up at Somerville's to get some material——

Mr. FAISON (interposing). I am asking you whether you paid anything to these workmen who got that engine in shape for you?

Mr. DAWSON. I had nothing to do with that; it was up to Baldwin and his company to make good on that.

Mr. FAISON. The testimony of all of these gentlemen, and you say they are of good character, is that they worked from 15 to 20 hours during Government hours and got no pay, but charged it as Government work.

Mr. DAWSON. During Government hours?

Mr. FAISON. Yes, sir.

Mr. DAWSON. Who gave them authority to do that?

Mr. FAISON. Well, they were to do this work, and they said they were told to do it.

Mr. DAWSON. Did they ever say I told them to do that?

Mr. FAISON. I do not know that they did, particularly; but they said they were working under you.

Mr. DAWSON. These men I had no charge of; I have got it in black and white that I had no charge of that side of the shop. I have been on night work off and on since that engine came. There was no man who ever worked 15 to 20 hours on a stretch.

Mr. FAISON. Well, they said off and on.

Mr. DAWSON. Eight hours is as long as they work.

Mr. FAISON. Well, in the two or three months they had it under repair?

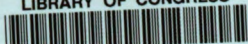
Mr. DAWSON. Well, they may have done it, but I gave them no orders to do it, and they kept it quiet.

Mr. FAISON. You did not pay them privately for it?

Mr. DAWSON. No, sir.

Thereupon the committee adjourned.)

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